

DUE DATE SLIP**GOVT. COLLEGE, LIBRARY**

KOTA (Raj)

Students can retain library books only for two weeks at the most

BORROWER'S No	DUE DATE	SIGNATURE

**RETAIL
MANAGEMENT**

BY THE SAME AUTHOR

RETAIL SALESMANSHIP

(Second Edition)

A gift book for salesmen intended to broaden their vision and give them a thorough knowledge of the principles and practice of salesmanship. Used by prominent retail establishments for staff training purposes.

HIRE-PURCHASE TRADING

(Second Edition)

A complete and practical guide to the sale of merchandise on hire purchase or instalment terms. The standard work used and quoted as an authority by the leading hire purchase traders, finance houses and trade journals.

COMMERCIAL MANAGEMENT

(Second Edition)

A handbook for business executives describing in detail policies and systems for sales works and office organizations of all kinds with 70 valuable specimen forms. Adopted as a textbook for classes on Management and Business Training by Universities in Britain and the Dominions.

SALES MANAGEMENT

A practical guide to modern methods of sales organization, policy and routine marketing, publicity and salesmanship. Officially recommended textbook for the Incorporated Sales Managers Examinations.

RETAIL MANAGEMENT

A PRACTICAL GUIDE TO MODERN METHODS
OF RETAIL DISTRIBUTION

BY
CUNLIFFE L. BOLLING

INCORPORATED SALES MANAGER (FELLOW)
FELLOW OF THE ROYAL STATISTICAL AND ROYAL ECONOMIC SOCIETIES
LECTURER IN MERCHANDISING AND SALESMANSHIP TO THE LONDON
COUNTY COUNCIL ETC.
AUTHOR OF RETAIL SALESMANSHIP WIRE PURCHASE TRADING
COMMERCIAL MANAGEMENT SALES MANAGEMENT
ETC



LONDON
SIR ISAAC PITMAN & SONS, LTD
PARKER STREET KINGSWAY, WC 2
BATH, MELBOURNE, TORONTO, NEW YORK

1946

PREFACE

RETAIL MANAGEMENT is intended as a work of reference for progressive retailers and managers, and a textbook for retail salesmen and others who wish to qualify for managerial posts

Although I have been encouraged to write this book by prominent department stores and multiple concerns who use my *Retail Salesmanship* for staff training purposes and I am much indebted to them for supplementing my own experience with suggestions and information, *Retail Management* was not written primarily for the big organization, but rather for the progressive retailer with a business of moderate size who wishes to adapt modern methods for use in his business

I use the word "adapt" instead of "adopt" because, in writing a book of this kind, it is necessary to generalize and the systems and forms recommended may need adjustment for different trades. Wherever possible, I have submitted alternative ideas enabling the retailer to choose the one most suitable for his purpose

RETAIL MANAGEMENT covers simple retailing department store, multiple shop, and mail order trading, because many businesses of moderate size are department stores in miniature, have branches, and transact mail order business, and the principles of retailing apply equally to all its forms

In view of the fact that I have been associated in various ways with a number of retail organizations, I think it necessary to point out that none of the examples or illustrations represents an actual transaction, or the record of an existing business, and the names mentioned in them are all fictitious

CUNLIFFE L. BOLLING

LONDON

September 1931

CONTENTS

PREFACE	PAGE V
CHAPTER I	
TRADING POLICY	I
The retailer's position in present day distribution—Types of retailer—Influence of competition and manufacturers advertising—Prospects for retailers—Essentials to success—Importance of definite policy—Planning distinctive service—Specializing—Limitation of range of merchandise dealt in—Limitation of class of customer catered for—Points to be considered in determining policy—Studying local conditions—Functional policies	
CHAPTER II	
ORGANIZATION	16
Responsibilities of management—Relations between owners and managers—Delegation of responsibility and power—Leadership—A model organization—Centralization and decentralization—Dividing a business into departments—Management committees—Codification of executives duties and responsibilities—Training executives—Qualifications required of a manager	
CHAPTER III	
PREMISES	32
Points in selecting premises—Location of the shop—Display frontage—Accommodation—Costs in relation to sales opportunities—Shops in new townships—Buying property freeholds building leases etc—Mortgages and bank overdrafts—Tenancy agreements—Compulsory renewal—Compensation for improvements and goodwill—Dilapidations—Shopfitting lighting heating etc—Maintenance and cleaning	
CHAPTER IV	
BUYING	56
The buyer's responsibility—Study of demand—Stock lines—Proprietary articles—Exclusive selling rights and agencies—Own name goods—Special orders for customers—Novelties and job lots—Analysing sales to guide purchasing—Study of supply—Interviewing suppliers travellers—Visits to suppliers—Taking goods on approval—Catalogue library and price index	

CHAPTER V

PAGE

PURCHASES ROUTINE

77

Requisition systems—Orders to suppliers—Reception and inspection of goods—Checking suppliers' invoices—Giving selling instructions—Marking incoming goods—Codes—Terms of payment—*Pro forma* invoices—Purchases in foreign currency—Goods on approval—Returns to suppliers—Control of buying—Record of commitments

CHAPTER VI

STOCK KEEPING

101

Stock arrangement—Forward stocks—Grouping the lines—Reserve stocks—Responsibility for stock—Stock preservation—Replenishment systems—Unit stock records—Maximum and minimum limits—Stocktaking—Interdepartmental transfers—Spoils and breakages—Alterations in selling prices—Stock control accounts—Stock turns—Preparation and use of figures

CHAPTER VII

PRICES AND PROFITS

126

Items to be provided for in price fixing—Costs—expenses and profits analysed—Relation of sales turnover to prices and profits—Mark downs—Waste—Price-cutting competition—Customers' ideas on prices—Price fixing—Supervision of prices and profits—Profit targets—Price concessions—Trade quantity and cash discounts

CHAPTER VIII

SALES TURNOVER

147

Natural tendencies in the development of a business—Need for planning sales turnover—Forecasting—Study of trade conditions—Study of past results—Average check figures—Targeting—Means of controlling the trend of business—Departmental managers selling plans—Sales promotion—Relationship of advertising display and salesmanship—Co-ordinating selling efforts

CHAPTER IX

ADVERTISING

173

Purposes of advertising—House publicity—Merchandise publicity—Influence of advertising on a retail business—Selecting lines for advertising—Illustrations and descriptions—Press publicity—Space buying—Posters and signs—Direct mail publicity—Mailing lists—Production of sales literature—Co-operation with suppliers—Organization of an advertising department—Advertising agents—Tracing results of advertising

CHAPTER X

PAGE

DISPLAY

198

Sales promotion value of displays—Organization of a display department—Creating an atmosphere—Backing up the advertising—Planning window displays—Allotment of space to selling departments—Interior displays—Exhibitions and outside displays—Selecting merchandise for display—Recording stock out on display—Designing displays—Points on dressing out merchandise—Backgrounds colour schemes and lighting—Showcards and tickets

CHAPTER XI

SALESMANSHIP

217

The personal element in business—The salesman's responsibility—Attributes of the proficient salesman—Scope for salesmanship—Reception of customers—Service rotas—Avoiding lost sales—Obtaining more business from customers—Backing up advertising and displays—Calling on customers—Obtaining new customers—Following up inquiries—Dealing with customers' complaints and claims—The salesman's authority—The retailer's responsibility for his merchandise

CHAPTER XII

STAFF CONTROL

240

The staff manager's work—Regulating departmental staffs—Methods of recruiting employees—Dealing with applications for employment—Waiting lists—Terms of engagement—Staff records—Staff revisions—Increases in salary—Dismissals—Remuneration of salesmen—Commission schemes—Selecting salesmen—Aptitude for salesmanship—Training salesmen—Staff instructors

CHAPTER XIII

SERVICE SYSTEMS

267

Planning for quick service—Cash registers—Pay at the desk—Cash tubes—Sanctioning credit sales—Reserving goods—Work orders—Delivery instructions—Cash on delivery—Assembly systems—Wait overs—*Pro formas*—Approvals—Call notes—Credit notes—Exchanges—No charge items—Staff handbooks

CHAPTER XIV

DISPATCH AND DELIVERY

303

Delivery as a sales promotion factor—Dispatch organization—Collecting goods for dispatch—Shortages—Packing the goods—Parcel post—Railway consignments—Carriers—Van deliveries—Delivery schedules—Assembling goods for delivery—Delivery sheets—Returns and re-deliveries—Control of motor vehicles—Drivers log books—Garage organization—Hiring vans—Dispatch costing

CHAPTER XV

PAGE

328

MAIL ORDERS

Scope for mail order business—Studying and testing the possibilities—Selecting mail order lines—Finding potential customers—Advertising postal service—Tracing replies from advertisements—Reply coupons and order forms—Guarantees and free trials—Handling incoming post—Recording and acknowledging orders—Organizing the execution of mail orders—Cash with order routine—Answering inquiries—Cultivating regular customers

CHAPTER XVI

CREDIT GRANTING

355

Scope for credit trading—Consumer credit—Disadvantages of credit granting—Capital absorption—Planning a credit system—Fixing terms and conditions—Dealing with applications for credit—References and inquiries—Minimizing the risk of bad debts—Credit limits—The sanction clerk's authority—Collection of accounts—Statements—Collection letters for overdue accounts

CHAPTER XVII

BRANCH CONTROL

376

Advantages of multiple trading—Multiple shop policies—Standardization—Specialization—Area concentration—Organizing a retail branch—The branch manager's authority—Controlling the operations of branches—Unit stock control—Branch reports—Summarizing and comparing branch results—Branch inspectors

CHAPTER XVIII

CASH AND EXPENSE CONTROL

396

Organization of a cashier's department—Recording and analysing cash received—Receipt forms—Banking—Budgeting income and expenditure—Sanctions for expenditure—Supervision of commitments—Checking and recording suppliers' invoices—Cash discounts—Payment of accounts—Salaries and wages—Commission—Over time—Casual labour—National insurance—Petty cash—Cash estimates

CHAPTER XIX

ACCOUNTING

428

Organization of a counting house—Recording and analysing sales figures—Nominal ledger accounts—Personal ledger control accounts—Summarizing purchases and expenses—Classification of expenses—Depreciation and renewals of equipment—Trading and profit and loss accounts—Balance sheets—Interim accounts—Income and expenditure accounts—Departmental accounts—Statistics

INDEX

457

ILLUSTRATIONS

	PAGE
Organization Chart of a Typical Drapery Store	21
Codified Duties and Responsibilities of an Executive	26
Lost Order Book	65
Analysis of Sales to Guide Purchasing	68
Price Index	75
Requisition for Goods to Buyer	78
Order to Supplier	79
Goods Received Book	82
Pattern Book	83
Invoice Checking Stamp	85
Selling Instructions	87
Description and Price Ticket	88
Order for Goods on Approbation (Appro Order)	92
Advice Note for Returns to Supplier (Returns Note)	95
Record of Buyer's Commitments	97
Open to buy Statement for Buyer	99
Merchandise Unit Stock Record	108
Interdepartmental Transfer of Stock or Expense	113
Waste Note for Spoils or Breakages	115
Instructions to Alter Selling Prices	117
Stock Control Account	119
Summary of Estimated Stocks at Selling Prices	121
Turnover of Stocks Statement	123
Table of Mark Ups to Provide Gross Profits and Mark Downs	132
Analysis of Selling Price	134
Prices and Profits Summary Mark Ups Gross Profits and Mark Downs	139
List of Old Stock	141
Price Concession Report	145
Statistical Report of Trading Results	151-156
Graph of Sales Turnover	156
Target of Sales Stocks and Profits	158
Departmental Manager's Selling Plan	161
Floor Plan—showing Movements of Customers	167
Dummy for an Advertisement	185
Mailing List Card	189
Graph showing Relation of Advertising Expenditure to Sales Turnover	196
Window Plan with Display Programme	203
Display Department's Requisition for Merchandise on Loan	209
Application for Employment	247

	PAGE
Memorandum of Staff Engagement	249
Staff Record Card	251
Salesmen's Costs and Results Summary	252
Sales Checks Cash Trade	269
Salesman's Daily Summary	271
Cashier's Summary	272
Sales Check Credit Trade	280
Delivery Instructions	281
Sold Ticket	283
Work Order	284
Cash-on-delivery Register	287
Assembly Card	289
Advice Note for Goods on Approval (Appro Check)	293
Appro Register	294
Collection Order (Call Note)	296
Goods Collected Book	298
Credit Note for Customer	299
Delivery Extract Note	309
Apology to Customer for Shortage	310
Stock Record (Supplies)	311
Requisition for Supplies	312
Delivery Sheet	315
Notification of Van Call No One at Home	319
Motor Driver's Daily Log	321
Dispatch Costs Statement	325
Record of Replies from Advertising (Mail Order Business)	340
Post Order Form	343
Mail Order Journal	345
Cash Received Stamp (Correspondence Dept)	348
Mail Order Query Form	349
Customer's Application for Credit	362
Sales Ledger Account	368
Credit Index Card	368
Statement and Remittance Form	371
Account Collection Letters	373 374
Branch Weekly Stock Statement	384
Branch Weekly Merchandise Unit Stock Report	385
Branch Weekly Cash Statement	387
Branch Weekly Requisition for Expenses	389
Weekly Summary of Branch Results	393
Merchandise Unit Trading Summary	394
Remittances Received Sheet (Correspondence Dept)	398
Official Receipt Form	400
Cash Received Docket	400
Cash Received Book	402
Budget of Income and Expenditure	404
Purchases Journal	409

	PAGE
Notification of Wages Alteration	413
Wages Sheet	415
Wages Envelope Receipt	418
Petty Cash Voucher	422
Petty Cash Statement	423
Cash Payments Book	425
Cash Estimate Statement	426
Sales Journal	430
Sales Analysis	431
Transfer Journal	437
Journal Voucher	438
Classification of Expenditure	439-442
Trading and Profit and Loss Account	444
Balance Sheet	445
Monthly Statement of Income and Expenditure	448
Summarized Estimate of Departmental Results	449

RETAIL MANAGEMENT

CHAPTER I

TRADING POLICY

A RETAIL business is one in which goods are sold in small quantities to the consumers or users. The three most important methods of conducting retail business are—

- 1 Running a shop or showroom at which customers call to make purchases
- 2 Canvassing for orders from house to house, and selling in the streets
- 3 Soliciting orders by post, commonly known as 'mail order' business

There are estimated to be about half a million retail businesses in the British Isles, and many of them use all three of the above methods.

This collection of retail businesses forms a great distributing machine, which takes merchandise of all kinds from the manufacturers, producers, markets, and wholesalers, and places it before the public. The retailers' stocks and service make it convenient and pleasant for people to buy merchandise, and their advertising, window displays and salesmanship stimulate consumption, and introduce new products to the public. In some cases the retailers facilitate the sale of merchandise by granting credit to the purchasers.

A Great
Distributing
Machine

In Britain the bulk of the population is crowded into towns, and distances are comparatively short, conditions which favour the shop method of retailing and the whole country is covered with a network of shops, stores, showrooms, service stations, and other forms of distributing depots. The householder or tourist never has far to go for his supplies of food, clothing, fuel, or equipment, and usually has to make his choice from a number of competitive shops.

Shops

Shops play such an important part in the life of the average

man and woman that the public has quite an affection for them. The shop is not only a storehouse from which the consumer can draw his supplies in small quantities as he requires them, but also a showplace in which he can inspect the products of the world and make his selection at leisure.

House to house canvassing for orders is extensively carried on by shopkeepers serving the middle and upper classes, and pedlars and hawkers provide a similar "doorstep" service for the lower classes. This mobile branch of the retail business follows the consumer everywhere. Even in the most remote beauty spot he will find the refreshment van and the ice cream tricycle.

"Mail order" service through the post is offered to the public by many of the large shops and stores and by a number of manufacturers who serve the public directly, but is not such an important method of distribution in this country as it is in countries of greater distances and more scattered population, e.g. the British Dominions and the United States.

Mention must also be made of the automatic machines which enable customers to obtain supplies of cigarettes, matches, chocolates, sweets, photographic films and other articles, at any time of the day or night. These machines are extremely useful to the consumer when the shops are closed, and also carry the retailer's service on to railway platforms and other places where the volume of trade does not justify the existence of a shop.

In the United States automatic and semi automatic service has been developed to a much greater extent than here. The average Englishman prefers personal service to mechanical service, and while the shops are open he will usually ignore the automatic machine outside the tobacconist's and go inside to make his purchase.

It must be obvious, even to the casual observer, that there are far too many retail businesses in this country. In every branch of the retail trade from the palatial department stores to the wayside ice-cream tricycles, there is duplication of service and wasteful competition. Under normal conditions, the needs of the consumers should regulate the number of retail businesses, and lack of support should eliminate

the surplus ones but at the present time another powerful but harmful influence is at work encouraging the duplication of shops and stocks and prolonging the life of surplus shops. This influence is the over production of merchandise by manufacturers following the introduction of mass production methods.

Before machinery came into general use for the production of merchandise shops were few and far between and their scanty stocks were mainly composed of unprepared foodstuffs and raw materials. The people lived a far more simple life than we do to day and were able to prepare or make for themselves most of their everyday requirements. The purchase of an article which could not be made at home e.g. a carriage a piece of furniture a suit or a pair of boots was an event of some importance in their lives and they had to find a craftsman or tradesman to make the article to order.

Before
Machinery
Came

In those days life was centred in families and villages and the local merchant or tradesman as one of the family had almost a right to the support of the villagers. Competition between retailers existed in those days especially between the merchants and craftsmen who catered for the wealthy upper class but this competition could not be carried into the villages owing to the primitive methods of communication and transport and the power of local prejudice and family ties. Furthermore supplies of merchandise were irregular and restricted in quantity by the limitations of production by hand and the requirements and spending power of the people were small so that retail distribution offered little scope for speculative enterprise.

The development of productive machinery and means of communication and transport has brought about a revolutionary change. The craftsman has become a manufacturer turning out his wares in thousands by mass production methods. His machines enable him to produce unlimited supplies of articles of merchandise for sale at prices which bring them within the reach of all classes and modern transport carries them to all parts of the country at comparatively small cost.

Effects of
Mass
Production

As a result of this the world is flooded with machine made goods of all kinds. The engineer has pressed his machines into every trade and the brains of countless inventors have been devoted to

exploiting the possibilities of mass production and to finding new uses for machinery

In the shops unprepared foodstuffs and raw materials have given place to proprietary articles ready to eat ready to wear or ready for use with the result that people have ceased to prepare or make things for themselves and everyday life has almost become a series of retail purchases

The public has neither the capacity nor the spending power to absorb all the production of the busy machines with the result that in nearly all classes of merchandise production is far ahead of consumption In the language of the advertising men saturation point has been reached

The warehouses of the world are full of merchandise unordered and perhaps unwanted and the great manufacturing countries e.g. Britain Germany the United States and Japan are dumping their surplus goods on other countries and on one another

Now the manufacturer or wholesaler looks upon every retail business as a distribution channel which will carry his goods to the consumer and help to dispose of them and he therefore tries to get his goods into the stock of every retailer in his trade and also encourages the opening of new shops Manufacturers do every thing they can to make it easy for retailers to stock and sell their wares Most of them are willing to supply any quantity of goods to any retailer at short notice and credit is freely given to encourage the purchase of stocks In some trades the retailers are not even asked to purchase their stocks but are supplied with goods on sale or return or on approval which means that if they do not sell the goods within a reasonable time they may return them to the manufacturer

Many enterprising manufacturers endeavour to create a demand for their wares by advertising them to the general public in the Press and on posters If this consumer advertising is well done the effect is to make the public ask the retailers for the particular lines and so induce

the retailers to stock them Lines sold under the manufacturers names or brands are known as proprietary articles and in most cases the retail prices are fixed by the manufacturers in order to ensure uniformity of price and to show the retailers a definite margin of profit

In these circumstances, it is not surprising that the number of retail businesses has multiplied. The process of retailing has become so simple in some trades that persons with no technical knowledge or business ability open shops, thinking that a little capital is all that is necessary. Successful shopkeepers have been encouraged either to extend their range of merchandise far beyond their own trade, creating "department stores," or to open chains of branches, creating "multiple shop chains."

Factory workers were quick to realize that over production placed the consumers in a position of strategic importance, and by forming co-operative societies and wholesale co-operative societies, they have built up an enormous distributing organization, which is a duplication of that built up by private enterprise. Some manufacturers and producers, finding it difficult to sell their output through the shops and co-operative societies, have opened shops of their own, or supply consumers directly through the post on mail order lines. We thus have retailers, consumers, and producers, all running retail businesses.

Co-operative
Societies

A very good example of the wasteful competition in the retail trade may be seen in the rows of petrol stations outside all our large towns. These petrol stations are evidence not so much of the demand for petrol as of the keen competition between the petrol companies. They may be looked upon as units in a commercial war, rather than distribution depots.

Although it cannot be denied that retail enterprise and the multiplication of retail businesses do make for greater consumption of merchandise, the consumption of necessities is limited by population and that of luxuries by the spending power of the public, so that every new shop has to fight existing shops for a remunerative volume of business, and every successful shop has to fight to retain its position. There is keen competition everywhere, not only between shops of the same trade, but also between shops of different trades. For example, a wireless shop is not only in competition with other wireless shops in the neighbourhood, but also with shops in other trades—draper, grocer, chemist, garage, etc.—which would divert the customer's money to other channels. The spending power of the majority of people is strictly limited, and any expenditure in a new direction must be offset by economies in other directions.

Retail
Competition

Present day retailing is far from being an easy occupation. The retailer needs not only capital and knowledge of his trade, but also knowledge of the technique of retailing, covering trading policy, organization, buying, selling, advertising display, staff control, and many other matters dealt with in later chapters.

Retail Prospects

Given these qualifications, however, the retailer can build up a sound and profitable business in the face of the most severe competition. It is a case of "the survival of the fittest." There are big prizes in the retail trade, not only for the proprietor of a successful business but also for men who can efficiently handle executive work for the big retail concerns—the department stores, multiple shop companies and co-operative societies. Comparatively few men in the retail trade to-day understand the abnormal conditions existing and know how to take advantage of them, and the services of such men are in great demand.

There are three essentials to a successful retail business: (1) adequate resources, (2) a sound trading policy, (3) efficient methods.

Essentials to Success

The first essential—adequate resources—is obvious, but it may be pointed out that this includes not only tangible assets in the form of capital and credit invested in shop premises, equipment, stock, and book debts, but also those intangible but very real assets, technical knowledge and general business acumen on the part of the management.

However ambitious he may be, the retailer should allow the extent of his resources to govern the extent of his enterprise. Far too many retailers handicap themselves by attempting too much at the beginning, perhaps through under estimating the amount of capital required to carry out their schemes or over estimating their own

Enterprise Limited by Resources

knowledge and ability. The wise retailer keeps his commitments on account of premises, equipment, and stock well within his means, and limits the scope of the business to that of his own technical knowledge until such time as he can afford to employ skilled managers to deal with extensions.

The nature and extent of the retailer's resources should go a long way towards defining the type and class of business he establishes. His previous experience and technical knowledge will indicate the trade in which he has most chance of success and the amount

of capital and credit at his disposal should indicate the size and type of shop he can operate. Another important asset—local connections or goodwill—may decide him in favour of a particular town or district, but if he does not possess such an asset, he will have to search for the most favourable centre for his activities.

It is at this stage in the establishment of a retail business that the second essential to success—sound policy—has to be developed.

The policy of a business dominates its activities and shows the way in which its resources are to be used.

Trading
Policy

A shop without a policy would be like a ship without a rudder. Every normal retail business has the same object—to buy merchandise and sell it at a profit—but each retailer has to decide what merchandise he will buy, to whom he will sell it, and what profit he will ask. Broadly speaking, he has to decide what service he will offer to the community and on what terms.

The dominant factor in the organization of a retail business is, therefore, the trading or service policy, which defines the nature of the service it will render and the customers it will serve. The difference between the business established to supply petrol to motorists and the one established to supply artificial limbs to disabled people is primarily one of trading policy. It may be assumed that the proprietor of the petrol station chooses that trade because he considers it offers the best opportunities for his resources and efforts, and the same with the proprietor of the artificial limb business.

In the days before mass production brought intense retail competition, it did not require much ingenuity to formulate the policy of a retail business. The man with experience in the grocery trade who had sufficient capital to open a small shop went ahead and opened his shop in the most favourable position. He then pursued what we should call to-day an "unrestrained service policy," trying to cater for as many local residents as he could, without reference to class, and to serve them with anything they required of him. This policy would lead him to extend the scope of his business beyond the grocery trade, e.g. if there was no ironmonger in the district, he would be asked for ironmongery by his customers, and, as a result of this, his grocery business would probably become a "stores."

Unrestrained
Service

The position to day is totally different. The retailer would probably find himself in the position of seeking to establish a grocery shop in a district in which there were already too many grocery shops, and in such circumstances the formulation of a trading policy calls for considerable ingenuity. An unrestrained trading policy of trying to serve everybody with a wide range of merchandise is obviously out of the question, because this would bring him into direct competition with all the other shops in the trades covered. He cannot avoid competition, because he has to take custom from the other shops, but he must endeavour to avoid the direct competition of trying to sell the same range of merchandise to the same classes of customer, for the simple reason that in such direct competition he would be at a hopeless disadvantage. The established shop has the benefit of the customer's goodwill and, if the new shop is merely a duplication, there is no inducement for the customer to change his shopping habits. The newcomer must therefore make his business different or distinctive, trying to give some new or improved service or to cater especially for a section or class of the residents or visitors.

This is a form of policy known as "specialization," in which the retailer sacrifices a number of *possible* customers in order to concentrate upon a smaller number of *probable* customers. The effect of this is to concentrate the resources and efforts of the business upon the most promising field of activity and to give the business a distinctive "character," which may serve to raise it above the competition of the commonplace shops. The simplest form of specialization is that of catering for a particular class or type of customer. In a town with thirty commonplace confectioners' shops there may still be an opening for one catering especially for the more wealthy residents and only stocking high-class chocolates and sweets. There may also be an opening for a shop catering especially for the poorest residents and selling "throw-outs" and "job lots" of confectionery.

Another form of specialization is that of restricting the range of merchandise to a section of that usually carried by shops in the trade. In a town with twenty commonplace chemists' shops, there may still be an opening for a shop specializing in toilet preparations and for another specializing in health foods.

These forms of specialization are sound policy because they are

beneficial to the customers, and help to increase the consumption of the merchandise concentrated upon. For example, the opening of a shop specializing in cameras and photographic supplies is a great benefit to the photographers of the town and, at the same time, is likely to make for an increase in the number of amateur photographers there. This photographic supplies shop would probably be in competition with a number of local chemists who stock cameras, films, etc., but the specialist shop would have first claim upon the local photographers and, because of its concentrated resources and efforts, should be able to give them far better service. The competition between the photographic supplies shop and the chemists' shops is not likely to be so keen as the competition between the chemists' shops themselves. If a chemist were asked for a photographic requisite he did not stock, he would probably refer the customer to the specialist shop rather than let the customer go to a rival chemist's.

Benefits to
Customers

It is important to note that the greater the degree of specialization, the greater the area of influence of the business. The trade of a commonplace tobacconist's shop in the West End of London may be limited to passers by, but a shop in the same street specializing in cigars may be serving customers in all parts of the country, on mail order lines.

The formulation of a trading policy is a matter of such vital importance that the retailer about to organize or reorganize a business can well afford to spend some time in what might be called "research" work. During this time he should make a close study of the local customers and their needs, and also of the local shops and their service. The extent of the area to be covered by his survey will depend upon the trade, e.g. the area of influence of a furniture shop is far greater than that of a confectioner's.

Market
Research.

In his study of the possible customers, he must bear in mind the fact that the town under consideration may be a shopping centre for surrounding villages or may attract a flow of visitors. If this is the case, he must study the class and needs of these visitors separately as he may be able to look upon them as potential customers, or even to cater especially for them. In many seaside towns, there are two distinct groups of shops, one group catering for resi-

Studying
Possible
Customers.

the other catering for visitors. This is sometimes due to the fact that the residents are of a different class or type from the visitors, e.g. the visitors may be of a much poorer class than the residents or *vice versa*. Some of the towns of South Devon are shopping centres for the agricultural workers of the surrounding country, and also favourite holiday resorts for workers from the industrial cities of the Midlands and the North—two types of customer that have few tastes in common.

Generally speaking specialization makes its strongest appeal to the better class people who have more leisure for shopping, buy in larger quantities and are more fastidious. They have a strong dislike for shops which show an unpleasant combination of merchandise e.g. they object to the combination of confectioner and tobacconist which on account of convenience is popular with other classes. Department stores which cater for the better class customers have to arrange their departments very carefully to avoid bringing together unsuitable goods but the popular stores in order to economize floor space jumble together all kinds of merchandise without apparently, causing offence to their customers.

The prospective retailer who is uncertain which class of customer to cater for must take into account the fact that working expenses and capital absorption are much greater when the better class is catered for. The premises must be more imposing and better equipped, the staff must be larger and of a superior type, the stock will consist of more costly goods and must show greater variety, and long credit may have to be given to customers. These considerations will probably decide the retailer with limited capital in favour of catering for working class customers who are not so exacting.

As the somewhat vague expressions 'better class' and 'working class' have been used here for want of a more definite method of classifying customers according to means it may be advisable to explain how these words are used by retailers.

Working Class Customers is generally used to describe people whose income is dependent upon their employment and who have little or no capital or unearned income. Their spending power individually is small but owing to their numbers their collective spending power is very great and

in normal times is stable being mainly applied to the purchase of necessities. They are however affected very considerably by local labour conditions—wage rates and unemployment—so that before setting out to cater for them a study of local employment prospects is advisable.

Better class is generally used to describe people who have an assured income more than sufficient for their needs or who have sufficient capital to make them independent of labour conditions. The spending power of these people is considerable and more or less stable but they are affected by national conditions such as taxation and financial affairs and are quick to reduce their luxury spending in times of increased taxation or a trade depression which affects their dividends.

*Better Class
Customers*

Some retailers try to subdivide the better class into the middle class and the high class or very wealthy people but the division is very hard to make. There is still a large number of people in this country who are really wealthy but the majority of them are content with the service of the better class shops and stores. The remaining minority not necessarily the most wealthy patronize a number of small and exclusive businesses which give them a personal service. As these people are pronounced individualists collective treatment of them is impossible and much of the trade is in special orders i.e. goods made or obtained specially for customers.

*High Class
Customers*

A number of peculiar features including the high proportion of luxury goods the migratory habits of customers and the influence of death duties and speculation on the customers spending power combine to make this exclusive class of business unstable and hazardous. Substantial capital and high profit rates are necessary in order to provide for long credit bad debts and slack periods.

In studying the local shops and their policies the prospective retailer will naturally pay particular attention to those which appear to be the most successful. He need not confine his observations to the shops in the trade which he proposes to enter as there may be much to be learned from shops in other trades. For example some forms of specialization may already be practised by local shops in some trades but not in his own and he will then be able to see how the local shoppers respond. He will be able to see whether the shops catering

*Studying
Existing Shops*

better class residents are prospering, or whether those catering especially for visitors to the town appear to be more successful than those catering for residents. Research work of this kind is of especial value, because it will enable the prospective retailer to benefit by the experiences of others and minimize the risk of his making a false step.

In all questions of trading policy, local prejudices and class distinctions have to be considered. Furniture houses specializing in hire-purchase meet with considerable success in many parts of the country, but in some districts the very people to whom hire purchase should be most attractive are prejudiced against the system.

Local
Prejudices

The retailer cannot pay too much attention to the study of his prospective customers' likes and dislikes and their shopping methods and habits. He must get as near to the customers as he can, not only in regard to the position of his shop, but also in regard to mutual understanding.

Originality in a trading policy is to be admired, but it does not pay to be too original in dealing with the British public, especially the men folk who are extremely conservative. They are slow to change their shopping habits and methods and it is often necessary to lead them gradually to take up a new line of action. Much has been written about the need for a new style of clothing for men, but if some original style were developed commercially, retailers who wished to specialize in it would have to do so cautiously, stocking the conventional garments meanwhile.

Specialization gives a retail business a distinctive character, and character is the foundation upon which the goodwill of a business is built, but it does not follow that distinctive character in a business means satisfactory turnover and profits. Success depends upon the amount of support which the character attracts.

Character
and Goodwill

Men and women of advanced tastes in dress, furnishings, clothing, or amusements often open up businesses which have an extremely novel and distinctive character, but which fail to obtain support, possibly because other people of advanced tastes have very distinctive ideas of their own. Even the retailer whose ideas are rational must allow his prospective customers time to appreciate the value of the service he is offering them. Although his shop

may be more attractive to them than the one they are dealing with they may not transfer their patronage until they have occasion to be dissatisfied with the service of the other shop

This point has an important bearing upon the retailer's allocation of the capital he invests in a new business. If he has no established connections and he intends to cater for a class of customer that is slow to transfer patronage he must reserve a substantial part of his capital to cover working expenses until such time as the amount of business done reaches a remunerative level.

Financial
Considerations

Another point for consideration is whether the form of specialization favoured by the prospective retailer will give him a steady turnover all the year round. If his trading policy will only bring him business during one season of the year he must either make sufficient profit during the season to cover the year's expenses or find some other form of business for the off season. As an instance of this many retailers dealing in motor accessories for private cars—mainly a summer business—sell wireless sets and components during the winter.

Once the trading policy has been determined the retailer should make every feature of his business coincide with it. The name of the business, the shop front and general atmosphere of the premises must suggest the kind of business to be done and appeal to the right class of customer. The advertising and displays must announce the retailer's policy and impress his offer of service upon the minds of the prospective customers. The stock must be carefully selected to agree with the policy and justify his claims, and there must be no clashing of qualities. The staff must be suited to the class of business and proficient in the particular trade. The prices, especially those shown prominently, must be consistent with the quality suggested, and the terms of payment must be agreeable to the class of customer attracted.

Putting
the Policy
into Practice

By keeping his trading policy continually in mind the proprietor of a small business should have no difficulty in carrying that policy into every one of its operations. He must resist any temptation to introduce ideas and methods which are inconsistent with the policy and in particular must beware of deviating from his own plan of campaign in order to copy or counter a move made by a

competitor Very often the retailer who sets out "to beat competitors at their own game" is merely abandoning his own selling campaign and helping his competitors with theirs

In a department store, multiple shop company, or other large business, where a number of executives are employed, there is some danger of the executives introducing ideas which are inconsistent with the settled trading policy, and to guard against this the directors may write out or "codify" not only the general trading policy, but also "functional policies" covering every important function of the business, such as buying selling advertising display, price fixing, and credit granting These functional policies are circulated to the executives concerned with their operation and each executive is expected to see that the settled policy is adhered to by his department or branch of the business

Functional Policies

danger of the executives introducing ideas which are inconsistent with the settled trading policy, and to guard against this the directors may write out or

"codify" not only the general trading policy, but also "functional policies" covering every important function of the business, such as buying selling advertising display, price fixing, and credit granting These functional policies are circulated to the executives concerned with their operation and each executive is expected to see that the settled policy is adhered to by his department or branch of the business

With such concerns the policies are revised at regular intervals—at least once a year—and also whenever some event or condition affects the business or a section of it The small retailer will also do well to overhaul his policy and methods in this way, as often as necessary in order to keep abreast of the times A "settled" policy is a *definite* one not a *permanent* one

Efficient methods are the third essential to success in retailing This does not mean merely that the operations of the business must be well planned but also that they must be carried out in the simplest, most effective, and most economical manner Energy as well as system, is required to use the retailer's resources to good advantage and put his trading policy into practice It must be obvious that efficient methods play a very important part in any competition between retailers the keener the competition the more need there is for energy precision and the avoidance of waste

Efficient Methods

must be well planned but also that they must be carried out in the simplest, most effective, and most economical manner Energy as well as system, is

required to use the retailer's resources to good advantage and put his trading policy into practice It must be obvious that efficient methods play a very important part in any competition between retailers the keener the competition the more need there is for energy precision and the avoidance of waste

Many quite successful retail businesses have been built up on improved methods Finding that the established businesses in a district were giving indifferent service refusing to take any responsibility for the goods they sold, or charging excessive prices progressive retailers have stepped in and captured their customers by offering a better choice of goods, selling goods in fresher condition, giving quicker delivery, dealing more generously with complaints, charging fairer prices, and advertising their improved service judiciously

Although this form of enterprise is commendable and may prove successful in favourable circumstances it is often a case of confusing methods with principles and commencing business with a programme instead of a policy

Programme
or Policy?

There is considerable danger in establishing a shop merely on the assumption that one can do things more efficiently than anyone else or that the competitor will keep to his high prices and slipshod methods when faced with new competition. The probability is that the established retailer will change his ways immediately the newcomer announces his programme and the established retailer's experience of the local trade should enable him to beat the newcomer at price fixing or efficiency.

It is interesting to note that although the resources and experience of the great multiple shop companies enable them to buy and sell at exceptionally low prices and to conduct their business with efficiency and economy they do not rely upon improved methods for their success but all follow very definite policies showing a high degree of specialization.

Retailing methods are dealt with under appropriate headings in the chapters that follow.

CHAPTER II

ORGANIZATION

BUSINESS organization calls for the systematic relationship of capital, management, and labour, three distinct but interdependent factors

Management stands between capital and labour, and must shoulder all responsibility for the conduct of the business. It is responsible to capital for the proper use of the funds invested in the business, and it is responsible to labour for the proper direction of the employees' skill and energy. If a business of any kind is to prosper and become a permanent institution it must satisfy the requirements of both capital and labour. The management must give the proprietors satisfactory dividends and security of capital, and also give the employees satisfactory wages and security of employment. A growing business must increase its capital and staff continuously, and it cannot obtain capital at reasonable rates or desirable employees unless the reputation of its management is good and its existing proprietors or employees are satisfied.

In order to meet this dual responsibility, the management of a business must deal impartially with all differences between capital and labour even if the management itself is identified with one or the other. For example, if the manager of a business is also the proprietor, he must realize that if he cuts down the wages and commissions of his employees in order to pay big dividends, he will reduce the efficiency of his business and therefore endanger his investment. Similarly, if the manager of a business is merely an employee, he must realize that, if he cuts down the dividends in order to pay high salaries, he will reduce the financial strength of the business and therefore endanger his own position. Tact and firmness must be exercised to maintain the balance between the two interests. The manager must "manage" the proprietors as well as the employees.

It is a generally accepted principle of organization that divided authority means weakness, the suggestion being that only by placing

the whole of the resources of a business under the control of one chief executive can those resources be used to the fullest advantage In practice it will be found that nearly all the most successful retail businesses whether department stores multiple shop companies co-operative stores mail order houses or specialist shops are actually under the control of individuals who may be sole proprietors senior partners of firms chairmen or managing directors of companies or general managers or secretaries of societies

Undivided
Authority

There are numerous instances in which businesses controlled by several partners or joint managers have achieved considerable success but in most of these it will be found that the success of the partnership or joint managership has been due to the fact that one partner or manager has dominated the others and managed them as well as the rest of the business

Although most managers desire to be in sole control of the businesses they conduct few of them wish to accept sole responsibility for the affairs of a business which belongs to a number of people Furthermore although investors generally appreciate the advantages of undivided authority most of them consider it advisable for a manager to work in association with several other men of experience and ability who will watch the interests of the proprietors

Joint
Responsibility

The desired compromise between undivided authority and joint responsibility is achieved in the two forms of organization most commonly met with in retail trading viz the limited liability company and the co-operative society

A limited liability company is nominally under the control of a Board of Directors elected by the shareholders The powers and authority of this board of directors are defined in the memorandum and articles of association under which the company is constituted and the shareholders are expected to leave the conduct of the company's affairs to the directors for the time being It is usually left for the directors to decide among themselves in what way and by whom their powers and authority shall be exercised They may appoint one of their number to act as Managing Director and control the business by their authority or they may appoint some employee to act as manager and exercise their powers This delegation of

Company
Directors

authority does not relieve the directors of their responsibility to the shareholders and it is their duty to watch the work of the management and exercise any necessary supervision

The position is very similar in the case of a co-operative society which is nominally under the control of a committee elected by the members. The committee usually appoints a general manager to conduct the business but is expected to see that he does so in a proper manner

Both the limited liability company and the co-operative society offer the proprietors the benefit of limited liability that is to say the liability of members is limited to the amount they have invested or have agreed to subscribe

The manager of a business is under a heavy responsibility to his board of directors or committee because he is using their powers and they will be held responsible for any loss that may result from bad management. In the long run the extent of a manager's powers depends upon the amount of confidence his directors or principals have in him. If they find that he can be relied upon to protect their interests and to consult them before taking any important step or entering into any unusual transaction they are likely to give him a free hand in the management of the business but if they find that he is inclined to usurp their authority and act without consulting them they may be excused for restricting his powers and interfering with his management of the business

Friction between managers and principals on this question of consultation before action is regrettably common and in the majority of cases the manager's object in keeping his principals in ignorance of his movements is merely that of ensuring for himself the full credit for his achievements. Such a short sighted policy can rarely be profitable to the manager in view of the antagonism it arouses and the condemnation which must be expected when a false move is made. It is better for the manager to share with his principals the credit for his successes rather than have to take the sole blame for his failures

A manager's authority is sustained by the fact that his principals know what he is doing and have confidence in him. When a manager knows that his principals have knowledge or abilities which can be used in the business he should encourage them to participate for

the simple reason that it is far better to have them taking part in the business than playing the much easier role of critics. For example, if there is a solicitor on the board, a managing director should avoid handling legal matters except in collaboration with him. Authority
Sustained by
Confidence

It is obvious that in placing the conduct of a business in the hands of one man, the principals are staking its prosperity upon his ability and subjecting the character of the business to the influence of his personality. A manager must be a leader as well as a controller, and his character and personality will influence the whole of the organization. He rules not only by exercising his authority but also by the force of his example and the greater his personality the greater his influence on the staff. For instance the manager who is a strict disciplinarian will put a premium on discipline and orderliness in selecting new employees and promoting existing employees and his assistants will consciously or subconsciously copy his methods, so that in a short time an atmosphere of discipline and orderliness, with all its advantages and limitations, will become characteristic of the business. Leadership

In the same way, the manager who is of a happy go lucky disposition will lead his staff into slipshod methods, the manager who is of a quarrelsome disposition will lead his staff into controversial and argumentative ways and the manager who is unscrupulous will lead his staff into dishonesty and disrepute.

It is therefore necessary for principals appointing a manager to consider character as well as ability and make sure that the manager they appoint has a personality in keeping with the policy they have prescribed for the business, and a character that can with advantage be multiplied and reflected in the staff. Suitability for
Management

It should be unnecessary to add that the manager should be a "big" enough man for the part, but it is not uncommon to find that a manager has not sufficient personality to wield the authority given him, with the result that his powers are usurped by the more ambitious of his lieutenants, and the advantages of undivided control are lost. For example, if the chief accountant of a business has more personality than the managing director, he may dominate the business, with the result that the aims and interests of the

other sections of the business will be subjugated to those of the counting house

In order to illustrate the division of a retail business into departments and the grouping of departments into sections a chart showing in skeleton form the organization of a typical drapery store is given on page 21. It will be seen that in this case the business is under the control of the managing director and is divided into five sections or groups of departments. Each section is controlled by an executive who is responsible to the managing director for the smooth and efficient working of the departments in his section. There are thirty nine departments each under the control of a departmental manager who is responsible to the head of his section of the business.

The selling departments each under the control of a buyer are grouped together under a merchandise manager and such functions as window displays, complaints adjustment and staff control are handled by separate departments. This practice is known as centralization the object being to relieve the buyers of all administrative functions that can be handled collectively by a special department and thus allow them to concentrate on their primary tasks of buying and selling. Generally speaking centralization is practised in a time of prosperity and staff inflation when it becomes necessary to relieve the buyers of clerical work and they are not likely to object to the limitations of their authority which such a plan necessitates.

Administrative departments are also formed when functions that have been performed by principals or their chief executives begin to take up too much of their time and it is considered inadvisable to entrust the work to the buyers.

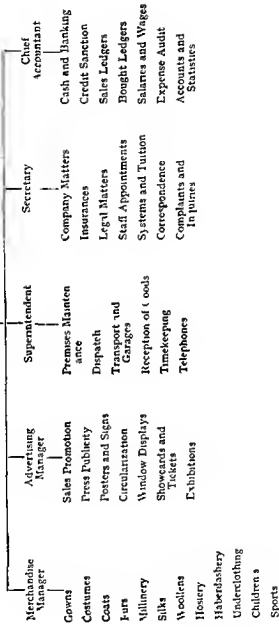
The creation of these so called non productive administrative departments must occasion additional expense and therefore in times of depression and staff reduction the opposite practice of decentralization may be adopted and the administrative work thrown back upon the buyers tending to make each department a more self-contained business. There are many arguments for and against centralization and it is inadvisable to make recommendations for a particular business without an intimate knowledge of its affairs and the men concerned.

A Typical
Organization

Decentraliza-
tion

ORGANIZATION CHART OF A TYPICAL DRAPERY STORE

MANAGING DIRECTOR



Generally speaking, however, the creation of numerous administrative departments is a feature of modern retail business that must be regarded with apprehension. It often makes a considerable addition to the overhead expenses, and therefore places the over-centralized business at a disadvantage in competition, and it may make for reduced efficiency if the departments are allowed to overlap or are placed in the wrong hands.

If the nature of the business is such that certain functions can be dealt with collectively by an administrative department with improved efficiency or greater economy, there is justification for taking the work away from the buyers, but the management must always be prepared to do away with an administrative department that has ceased to justify its existence, or to exempt from centralization a department that requires special treatment. For example, in a drapery business where separate windows are allotted to the different departments and there are no combined displays, the buyers may be left to arrange their own window displays, but in a furnishing business where combined displays and special exhibitions are necessary, a separate display department may be advisable. It is also interesting to note that in some department stores where the practice of centralization is carried to extremes, the restaurant is decentralized and the manageress of that department is left to arrange her own staff appointments, cleaning, reception of goods, and displays.

The grouping of departments shown on page 21 is one that has proved successful in a number of businesses, but it is not suggested that it is applicable to any drapery store. It would be impossible to prepare an "ideal" organization chart, suitable for any business, because an organization must be varied to meet local conditions, the size and type of business, the policy and class of customer served and also the capabilities of the executives. In the case illustrated, the secretary controls a number of administrative departments and thus plays an important part in the conduct of the business, but in many other businesses the secretary is wholly occupied with such company matters as the registration of share and debenture holdings, transfers, meetings, and minutes, and has neither the time nor the administrative ability to control other departments. In these circumstances,

Administrative
Departments
Must Be
Justified

Grouping the
Departments

the departments indicated would be included in other sections for example, the staff appointments department would probably come under the control of the superintendent

The principles governing this form of organization are merely that the business should be divided into a number of departments of convenient size, each department dealing with a distinctive function, under the control of a manager whose duties and responsibilities are confined to that department. In large businesses the departments are grouped together under sectional managers in order to relieve the managing director or general manager from the handicap of having a large number of departmental managers all representing different functions, answering directly to him.

Division
According to
Functions

The grouping of the departments into sections is governed by the nature of the departments and the abilities of the sectional managers, it being desirable to keep related departments or departments with similar functions, in the same group.

A department may be placed under the supervision of another department in the same section of the business, but it must not be placed under a department in another section of the business. For example in the organization illustrated on page 21, the credit sanction department might be placed under the supervision of the sales ledger department, as they are both under the control of the chief accountant, but the reception of goods could not be brought under the control of the bought ledger department, as this would undermine the authority of the superintendent.

Subsidiary
Departments

The titles given to the various executives are indicative of their relative position within the organization rather than the importance of the holder. Some business men make it a policy to give high sounding titles to their executives, in order to make the business sound important, while others consider that the use of high sounding titles makes for jealousy and snobbishness amongst the executives and may lead them to expect impossible salaries. This explains why the "head window dresser" of one business may have precisely the same position as the "display manager" of another similar business, and the "head clerk" of one firm may have a much better position than the "chief accountant" of another.

Executives
Titles

CODIFIED DUTIES AND RESPONSIBILITIES OF AN EXECUTIVE

SMITH & BROWN LIMITED MARKET SQUARE LEEDS

Duties and responsibilities of Mr Alfred Robinson

Act as clerk in charge of incoming post under the supervision of
Mr L Frost Manager of the Correspondence Department

Hours 8 30 a m to 6 p m with additional time whenever required

Office Room 7r 5th Floor

In particular see that the following instructions are carried out—

All incoming post is to be collected from the postman or the letter boxes by a senior clerk of the Incoming Post Room Letter boxes must be kept locked and adequate steps taken to prevent anyone else taking in letters

All correspondence to be opened and examined immediately in the presence of two senior clerks

All communications to be stamped on the back with the time of opening by using the clock stamps provided

All envelopes to be attached to the backs of letters

All communications received to be recorded in the Letters Received Book showing the time of receipt kind of communication (letter post card telegram etc) name of sender department to which distributed and brief particulars of any enclosures

All remittances to be detached from letters after marking the letters with the Cash received stamp and the amount received

All remittances received to be listed on Remittances Received Sheets with the name and address of the sender kind of remittance (cheque money order postal order etc) and sufficient particulars to show what the payment is for The remittances with list to be taken immediately to the Head Cashier's Office by a senior clerk of the Incoming Post Room

When letters contain enclosures other than remittances the senders descriptions of the enclosures are to be checked and initialed in green ink if correct These descriptions are to be amplified if necessary

When enclosures are not as stated in the covering letter this must be reported at once to the Manager of the Correspondence Department

All communications received are to be sorted according to the departments for which they are intended and sealed in the special addressed envelopes provided

When one communication refers to several departments it must be sent first to the department most urgently requiring it and the label Please pass to such and such Departments must be attached

When urgent communications arrive within half an hour of closing time the department for which the communication is intended must be warned by telephone

Correspondence for distribution to the departments must be handed to the House Messenger service in sealed envelopes and must not be entrusted to any other employee for delivery

A considerable amount of work is involved in preparing such lists of duties and responsibilities and organization charts and in keeping them up to date and this work must have close attention because the instructions to new executives and revised instructions to departments undergoing alterations must be prepared well in advance of the appointments or alterations and must be submitted to the management for approval.

The successful working of this codification system and indeed of any methods or form of organization depends upon its being used by the management. The management must use the organization otherwise it will merely exist in theory and all the benefits of systematic control and the co-ordination of departments will be sacrificed. For example if the managing director of a business wishes to give an instruction to the credit sanction department and that department comes under the control of the chief accountant he should give his instruction through the chief accountant. If he gives orders directly to the credit sanction clerks he is not using the organization and his action will tend to disorganize the accounting section of the business.

The
Organization
Must be Used

This fault of giving orders over the heads of executives and therefore interfering with their work is one of the weaknesses most often observed in retail organizations not only in the small shops where many proprietors cannot resist the temptation to show who is the boss but also in big businesses where principals who should know better will often give orders to a junior employee without consulting any of the executives thus short-circuiting the system and ignoring the organization they boast of.

Many people still look upon management as the mere giving of orders and imagine that a business should operate like a unit in the army in response to a continuous series of commands. This is the very opposite principle to that upon which modern business organization is based.

Rudiments of
Organization

The object of organization is to divide the routine work of a business into a number of jobs which will be allocated to the employees best qualified for them so that every operation is someone's responsibility. The employees are then trained to work without constant supervision so that the operations of the business are carried out smoothly continuously and economically. Executives are

introduced in order to supervise the work of the employees and see that a proper standard of efficiency is maintained, and also to deal with unusual developments and give special instructions when necessary, but no one should be employed merely to watch others work, and every executive should therefore have definite results to show for his own employment. The effective force of a business is made up of the combined efforts of the employees, of all grades, and economy of operation is essential, so that there is no room for "passengers."

The powers of the various executives must be defined by the management; they must not be allowed to fight for power, or to increase their importance by the subjugation of other executives. The departments must be departments working in co-ordination and co-operation with one another for the good of the business as a whole, and not "compartments" actuated by selfish motives. Broad vision and loyal support to all the movements of the business are required of everyone in authority. The executives are expected to work systematically and make their own jobs run smoothly in their absence, for this purpose appointing and training assistants to deputize for them. The narrow minded executive who attempts to make himself indispensable is a danger to the business and an enemy to himself, for the man who cannot be replaced cannot be promoted.

In a well-organized business, provision is always made for the training of executives inside the business, so that it is not necessary to look outside the business whenever posts of any importance have to be filled. There are at least six advantages in this—

Avoiding Internal Strife The first advantage is the encouragement of ambitious employees. The management that is known to appoint its executives from the staff whenever possible attracts a superior type of employee and keeps its promising young men, whereas the management which continually looks outside for its executives is shunned by talented youngsters, and discourages its own promising employees, who feel that they are in a rut and must go elsewhere for advancement.

Training Executives The second advantage is that of having a number of young executives, trained and ready to take up any post that becomes vacant or to deal with any new development. Really capable retail executives are rarely out of work, and when a man is taken from a situation elsewhere and has to give notice to his employers, this

These points have been dealt with at some length because there are many retailers who overlook them. The old saying, "familiarity breeds contempt" is very true of a retailer and his employees, and there are many employers who never look for executive ability in their staff. It is only when a man leaves to take up a good position elsewhere that they begin to appreciate his merits.

It is admitted, of course, that even the retailer who is most keen on staff training has to bring in executives from outside at times. If there is no employee capable of taking up a particular post, or if the post is a new one, representing a novel departure for the business, it is better to bring in an experienced man rather than experiment with novices.

The qualifications required of an executive are essentially different from those required of a routine worker. The best workers do not always make the best executives. Although it is a great advantage if an executive knows how to do the work of the men under him, this is not essential and in many cases, it is impossible. The executive's task is not to do the routine work, but to see that it is done, and if he is controlling a number of skilled men of different trades, he may be permitted to judge methods by results. He must, however, have the gift of leadership and be able to stimulate his staff and keep them interested and enthusiastic about their work, and he must know how to use their energies to the best advantage. He must also have a strong sense of responsibility which will enable him to appreciate his duty towards his employers, and set a good example to his staff.

For the other side of his work—dealing with unusual developments and emergencies—he must have knowledge, experience, personality, tact and common sense—a very formidable list of qualifications. Although study will give an executive technical knowledge and knowledge of business methods, he must have administrative experience and this can only be gained by shouldering responsibilities.

In training a young executive, the management should build up his experience by gradually increasing his responsibilities and relieving him of routine work, so that he has time to learn the lessons of each post he occupies and prepare himself for advancement. It is vitally important that he should have useful work to do all the time.

Qualifications
for
Management

The School of
Responsibility

ORGANIZATION

The practice, adopted experimentally by one or two of the big stores, of bringing in promising young men and women of 'superior' type and allowing them to drift about the business as a preliminary to taking up minor executive posts is fundamentally unsound, because it gives them no responsibility and teaches them to watch others work, a very unsuitable foundation for an executive career

CHAPTER III

PREMISES

THE first practical consideration in the establishment of a retail shop is that of obtaining suitable premises in the correct position. The chief points to be taken care of may be summarized as follows—

1 *Location* The premises should bring the business into close touch with the prospective customers, and be conveniently situated for them

2 *Address* The premises should give the business an address which is descriptive of it, and will convey a correct idea of the class of business done

3 *Display* The premises should have shop windows and other facilities for displaying merchandise before passers by

4 *Accommodation* The premises should provide adequate space and proper conditions for the storage of stock, and convenient working accommodation for the salesmen and other employees

5 *Cost*. The premises should be obtainable on reasonable terms and the annual cost should be within the means of the business

6 *Stability* The premises should be a safe investment for the retailer's capital and should give him security of tenure

The location of shop premises is vitally important, because, to a considerable extent, it governs the volume and class of business done. For example, the trade of many small tobac-

Location consists of confectioners is limited to the custom of passers-by, and some of them deliberately seek a position in which they will have a stream of passers by to themselves. A good example of this specialization by location is seen in the tobacconist's shop on a railway platform. Such a shop usually enjoys a monopoly within the precincts of the railway station and, therefore, has a protected 'territory' of its own, but its trade is limited to the people who travel by train.

The trade of the average grocer's, butcher's, or fishmonger's, engaged in what is known as "family business" (i.e. catering for local residents), is limited to an area, around the shop, which can be served economically by deliveries or 'rounds'. The furniture shop can cover a wider area because its customers are making more

important purchases and are therefore willing to make a journey to the shop and the higher average value per transaction permits of longer delivery journeys but the limitation exists and the furniture shop cannot attract customers or transact business economically beyond normal limits

The more ambitious specialist shop or department store covers a wider area by advertising its service or merchandise and inducing people to come to its premises but this advertising is expensive and the cost of delivery still has to be reckoned with so that it is essential for such a business to be in a convenient centre which customers can easily reach and from which deliveries can easily be made

In these days of keen competition advertising cannot make a customer go far out of her way to do her shopping if a retailer wishes to do business with Mrs Brown he must either have his premises where she does her shopping or somewhere still more convenient or pleasant for her

Shopping
Centres

All shopping centres have their own particular characteristics which vary according to the number and class of consumers shopping there and the extent of competition for their business and in each shopping centre the value of the individual shop sites varies according to the position and nature of premises proximity to car parks rail way stations tram and omnibus stops places of amusement or local interest and the influence of neighbouring shops or buildings A hundred yards or even less may show a great difference in the value of shop sites In some cases so far as business opportunities are concerned there is a right and a wrong end of a street and in other cases there is a right and a wrong side of a street

Generally speaking the position of premises is far more important than the nature of the premises themselves it is better to have modest premises in the right place than fine premises in the wrong place The selection of a site for his enterprise is a vital step for the retailer because a mistake may prove fatal or may handicap him for years depriving him of the benefit of much of his labour and many of his ideas

Closely allied to the question of location is that of address If a retailer is ambitious and proposes to specialize or to advertise extensively he must give careful consideration to the address of his premises

Address

Addresses are important because they are descriptive and suggest a particular class of shop. If a person does not know a shop, but is told the address, he will judge the shop by what he knows or thinks of the street or place. If a middle-class Londoner was recommended to a shop in Bond Street, he might condemn the shop as "too expensive" without visiting it, and, in the same way, he might condemn a shop in the Walworth Road as "too common," without investigation. There is the further point that customers will themselves "advertise" a purchase made in a shop at a good address, but will hesitate to mention a shop in a district which they consider beneath them.

The Bond Street shop derives some advantage from the fact that many of its customers are eager to disclose the name and address of the shop they patronize, but the Walworth Road shop suffers from the fact that many of its customers keep silent regarding the source of the bargains they secure.

Advertising
Value of a
Good Address

In ordinary shop trade, the most favourable position usually has a suitable address, but sometimes in choosing between two available sites a retailer may be influenced by the fact that one has a better address than the other. In mail order business, however, the address is a matter of first importance and the retailer selling through the post, if he is not also a shopkeeper, may decide to have his premises near the best source of supply instead of near the most favourable market. For example, the mail order business offering blankets may consider Witney a better address than Bristol, and the one offering cutlery may consider Sheffield a better address than Birmingham.

Customers are not the only people who judge a retailer by his premises and address. Creditors, bankers, sleeping partners, shareholders, and others to whom the retailer will look for credit or capital for use in his business will be influenced to a very considerable extent by the nature of his premises and the terms upon which he holds them.

Creditors
Influenced by
Premises

Trade creditors are often influenced to an unfair extent by a retailer's premises. They may unwittingly add to the troubles of the rash trader who has overburdened himself with fine premises, by giving him too much credit, and yet refuse credit to the timid man who has kept his capital liquid and economized on premises.

Thus may be attributed in part to the fact that credit inquiry agents, called upon to report on new businesses, frequently have to confine their reports to comment on the premises, no other information being available to them. The report, the business occupies fine premises in a commanding position may be expected to inspire confidence, while "the premises are unimportant" may decide a supplier to refuse to open an account.

Bankers and others called upon to loan money to a retailer are in a position to go more fully into his affairs, but they, nevertheless, give first consideration to his premises, and in the majority of cases the amount of their loans is restricted to two-thirds of the value of the premises and other 'fixed assets' owned by the borrower. This attitude may seem unfair to the retailer who invests his capital in stocks, in customers' accounts, or hire-purchase transactions rather than in premises, but it can be easily understood. Freehold or leasehold property is a 'fixed asset' which makes a good security, because there is little fear of a sudden fall in value and it is a simple matter to create a mortgage or charge upon it which will protect a lender from any misappropriation of the asset. On the other hand, such assets as stocks, book debts, and hire purchase accounts make doubtful securities, because they are constantly changing and may be subject to sudden losses or to misappropriation.

Premises as
a Security

In the majority of cases, the shopkeeper must rely upon window displays to bring him the advantage of "commanding premises," and it is, therefore, important for him to satisfy himself that the windows available are suitable for displaying his wares, or can be altered to meet his requirements.

Display
Frontage

Generally speaking, shop frontage to-day means window frontage, and, in considering the value of premises, a deduction must be made in respect of any 'blind' wall which cannot be used for display purposes. Landlords will often advertise corner premises as having shop frontage to two streets, but this is only a correct description if there are display windows on both streets. If a blind side wall can be used for signs or posters, it may have advertising value, but it is not shop frontage. Corner premises giving shop frontage to two streets are much sought after by retailers, owing to their obvious advantage for display purposes, and the fact that

they appear much larger than premises of the same size in the middle of a row of shops

The shopfront and general appearance of the premises must be in keeping with the particular trade and the merchandise dealt in,

Shopfronts and must also be suited to the class of customer catered for Just as people judge a stranger by his face and clothes, they will judge a shop by its premises and general appearance, and a golden rule applicable to nearly all cases is to make the premises typical of the trade

In recent years there has been a strong tendency towards a drab uniformity in shopfronts, due to the restrictions imposed by landlords owning rows or "parades" of shops and also to the development of department stores, which adopt the 'palatial' style of building in order to get over the difficulty of suggesting several different trades in one shopfront It has been left to the multiple shop companies to lead the way in distinctive shopfronts specially suited to their particular trade, and they have benefited very considerably by so doing

By adopting a distinctive shopfront and using the same style and colours at all their branches the multiple shop companies not only have the advantage of shopfronts which suggest the type of business done but also the advantage that the branches all advertise one another Their customers soon come to associate their shopfronts with the name of the shop and the goods and service to be had there, and will enter any branch without hesitation, knowing just what goods and service they can obtain and what prices they will have to pay

Value of
Distinctive
Fronts

Originality or distinctiveness in a shopfront is very desirable and may be used to suggest the trading policy of the shop For example, the fancy goods shop selling novelties for presents may adopt some futuristic type of shopfront, while the shop selling antique furniture may reproduce a shopfront of some early period There are, however, two important stipulations to be met in designing an original or unusual shopfront first, it must not detract from the efficiency of the shop as a place of business, and, second, it must not make shopping embarrassing to the customer Self-consciousness may prevent many people from entering a shop which presents a very unusual appearance

Position is so vitally important in selecting sites that practical considerations of accommodation often have to take second place. Few retailers are fortunate enough to obtain ideal premises in the ideal position, but shopfitters and builders specializing in shop alterations can do a great deal towards turning unsuitable premises into something approaching the ideal. The average retailer cannot claim much experience of planning shop premises, as he may only be faced with the problem of arranging new premises once or twice in a long career. In spite of this, retailers are surprisingly reluctant to obtain expert advice on their accommodation problems, and one often finds them carrying on for years in unsuitable premises which could easily be adapted to their particular requirements or rejecting attractive offers of premises which require a little alteration to meet their particular needs.

Accommoda-
tion

It is a measure of economy to entrust the planning and equipment of a shop to a firm specializing in shopfitting for the particular trade, because they know how to economize selling and storage space, how to tuck boilers, ovens, refrigerating chambers, goods lifts, and other service items, in odd corners, how to make the most of available daylight, and arrange for economical electric lighting, how best to ventilate and heat the premises, and where to place entrances, doors, windows and counters to the best advantage, whereas a local builder may waste considerable time, money, and space through ignorance of the particular trade or of the latest devices.

Expert
Shopfitters

Economy of space is a vital point in planning shop premises, because it means economy of rental and other annual charges. Most retailers have an exaggerated idea of the amount of space they require, and an expert shop fitter can often accommodate them comfortably in premises they would condemn as too small.

Economizing
Space

Storage space for stock must not be skimped—otherwise the retailer will be unable to obtain quantity discounts by making bulk purchases, and he may lose sales through not having a sufficient variety of stock—but by the skilful arrangement of shelving and cupboards each square foot of floor space available for storage may be made to accommodate the maximum possible quantity of stock, and, at the same time, the stock can be protected from dust, damp, and other nuisances.

The majority of retail shops to-day are ground floor businesses and many valuable upper floors and basements in busy shopping centres are used for lumber or are sublet to little advantage. Yet the cost of fitting passenger lifts is now very reasonable and in many trades customers are attracted by the comparative privacy of an upstairs showroom as long as they do not have to climb upstairs to it. Since shop values or rentals are usually based on the ground floor area, ability to make use of upstairs showrooms may mean a considerable saving in the annual expenses and the cost of installing a lift may be recovered in a very short time.

Passenger
Lifts

The use of upstairs showrooms becomes particularly desirable in dealing with better class customers who do not like to rub shoulders with one another when shopping or to see a variety of goods jumbled together. A better-class business needs much more floor space than a working class one with the same turnover and as the premises must be in a fashionable shopping centre it is imperative to economize in ground floor space. Nine out of ten of the unsuccessful better class businesses are crippled by high rentals and incidental expenses of premises.

The ambitious retailer may be tempted to think big and secure the best premises available for his venture but he must judge all premises in relation to the cost. The best premises available may be the cheapest but the retailer cannot take this for granted. He must do his best to find out what the premises are worth to him per annum and compare this with the annual cost.

Cost of
Premises

The value of premises to a retailer must be estimated according to the amount of business he expects to transact there. Any prestige fine premises may give him is only valuable in the long run if it brings him sales to swell his turnover.

Rent, municipal and water rates, lighting, heating, repairs and maintenance and other premises expenses represent only one group of the expenses which a retailer has to bear out of his gross profit and as his gross profit is limited to a percentage of his turnover, his premises expenses should also be limited to a percentage of his turnover in a normal year. Heavy premises expenses are a great danger to a speculative business in which the turnover fluctuates considerably because these expenses are of a fixed nature.

and cannot be reduced in times of depression. Furthermore, landlords, rating authorities, and gas and electricity undertakings make very awkward creditors, owing to their right to levy distress or withdraw essential services.

It is impossible to say what percentage of his turnover a retailer can afford to spend in premises expenses without going fully into his policy and profits, but it is probable that the average percentage in normal and successful retail businesses is about five per cent. The small shopkeeper with experience considers that in a shop costing 40s per week for rent, rates, water, lighting and heating, he ought to do at least £40 per week in business.

Percentage of
Cost to
Turnover

Peculiar conditions will tend to increase or decrease this percentage. The exclusive high-class business with expensively furnished premises in a fashionable quarter may have to provide 10 per cent of its turnover for premises expenses and obtain gross profits sufficiently high to cover this. On the other hand, the department store or specialist business which supplements its "counter" trade with mail order business, and contracts and orders obtained by canvassing may be able to limit its premises expenses to 2½ per cent of the turnover.

In the case of ordinary counter sales, "quick trade," where the shop is busy all day long, means a low percentage of premises expenses to turnover, and "slow trade," where the shop only has customers at intervals during the day, means a high percentage of premises expenses to turnover. This is compensated for by the fact that gross profits are usually higher in a slow trade than they are in a quick trade.

Quick Trade
and
Slow Trade

The number of transactions a shop handles per day varies principally as between different trades, for example, one cannot expect a china shop to have trade as quick as a tobacconist's, or a millinery shop as quick as a confectioner's. It also varies between different classes of customer, the better the class of customer the slower the trade.

Apart from these considerations, however, trade varies very considerably according to position, and it is in this respect that the retailer seeking premises is faced with the problem of relative values. He may have to choose between (1) expensive premises in a favourite shopping centre, promising quick trade, and (2) cheap premises,

a little out of the way, in which trade will probably be slow. The difficulty is to estimate what volume of turnover may be expected from each shop, in order to see which premises offer the lower percentage of expenses to turnover and, therefore, the better value. In this connection, it is important to note that it is far easier for an experienced retailer to estimate his probable turnover in so called "expensive" premises than in so called "cheap" premises. The expensive premises will usually be in a shopping centre of proved business value and have a past record to guide a prospective occupier, whereas the cheap premises may have no commercial value at all. He has to find out *why* the premises are expensive or cheap before he can consider whether they are expensive or cheap *for his purpose*.

In prospecting for new premises, multiple shop companies go to great pains in order to sum up the relative values of the available sites. They soon become known as buyers of good shop properties and are therefore, inundated with offers, but they proceed cautiously and usually act through agents who conceal the identity of their principals until negotiations are completed. If the multiple shop company disclosed its interest earlier in the proceedings prices or rentals might harden against it and other multiple shop companies might discover its plans.

Prospectors for multiple shop companies pay particular attention to four points: (1) the number and class of people passing by the premises under consideration; (2) the number of competitive shops in the immediate neighbourhood and their volume of trade; (3) the past history of the premises; and (4) possible changes or developments in the neighbourhood.

They may station men in the street to count the number of persons passing by a shop during a busy shopping hour, reporting on their class and characteristics, or to count the number of people entering competitive shops. Multiple shop companies do not take stock of possible competitors because they are afraid of competition; they look upon a successful competitive shop as evidence of business being done and therefore they consider that the more successful competitive shops there are already in the neighbourhood, the better their chance of success with a new shop, provided they can place their shop in a commanding position. They rely upon their

class retailing, and public parking places bring a great deal of business to nearby shops

New shops being erected as part of a new township or building scheme present a problem to retailers. The rents asked by the estate companies are often high and the volume of business to be obtained is difficult to estimate. Speculative builders often fail to carry out the greater part of their ambitious schemes, so that the completed township may be much smaller than the shopkeepers have been led to expect. In any case, the shopkeepers will have to wait for the houses to become occupied before they can secure a remunerative volume of business. There is the further point that these new townships often adjoin popular shopping centres, so that the main street of the new township may never become a shopping centre.

It is interesting to note that multiple shop companies often secure sites for shops in new townships immediately work is begun on the housing scheme, but do not build and open their shops until the houses are nearly all occupied, which may be several years afterwards. In this way they secure the most commanding sites in the townships on favourable terms because the people developing the estate are anxious to show some sites as having been taken by important retailers. Other retailers take shops and slowly work up trade while the houses are being built, and when the multiple shop company sees a remunerative volume of business being done, it develops its own superior site and sets out to capture the trade.

A retailer who is amongst the first to open shops in a new district and give service to the new settlers may, of course, build up a very valuable local goodwill which will be proof against the attacks of competitors who come along later, and any money he loses in trading while the estate is being built may turn out a very profitable investment.

There are, however, two very important points for him to bear in mind. First, he must select his site with great care, obtaining the most prominent position he can, in order to guard against losing his connection later to a more favourably situated competitor. A retailer with bargaining ability, who is willing to open a shop at once, should be able to obtain even more favourable terms than a multiple shop company buying a site for development at some time in the future, because

Shops in New Townships

Safeguards for Pioneers

the estate company must provide its early settlers with shopping facilities. If he is renting the premises, he may be able to secure them at a nominal rental for the first year or two and may be able to secure the landlord's undertaking not to let neighbouring shops to competitors in his trade.

Second, he must have sufficient working capital to cover his expenses until the volume of business reaches a remunerative level. Many thousands of shopkeepers have failed through not having sufficient capital to carry them over this period of unprofitable trading, or through entering into agreements to pay high rentals for premises in new estates which have not been developed to the extent promised. This explains why so many newly erected shops change hands several times before they settle down to the continuous occupation of a successful retailer. In the meantime either the rentals drop to an economic level or the volume of trade becomes sufficient to cover the rentals.

The shopkeeper's goodwill is so closely attached to his premises that it is vitally important for him to obtain as strong a hold as he possibly can upon them. The ideal way for a retailer to secure his premises is of course for him to purchase the freehold so that the property belongs to him and if his activities result in appreciation in its value he will have the full benefit. He will also be free from landlord's restrictions and able to use the property as he thinks fit, carrying out alterations, repairs and decorations as and when he wishes. These advantages should in the long run compensate the retailer for tying up part of his capital in the purchase of the property which as an investment may be less remunerative than an investment in trading stocks or accounts.

In considering the purchase of property as an investment, however, it is important to note that the yield or annual percentage of return on investment may be increased by mortgaging the property.

For example, a retailer paying £210 per annum rent for his premises might be able to purchase the freehold for £3,000. This represents a yield of 7 per cent per annum, which many retailers would consider unattractive. It is, however, possible to mortgage freehold property for at least two-thirds of its value at a rate of interest considerably lower than that paid on commercial loans, and the above retailer

Stability
Freeholds

Mortgaging a
Freehold

should be able to borrow £2,000 by creating a mortgage on the property

If he obtained this money at 5 per cent interest, or £100 per annum, it would reduce his investment in the property to £1,000, on which he would receive a yield of 11 per cent per annum, made up as follows—

Rental value	£ 210	per annum
Less Mortgage interest	100	
	<hr/>	
Return on capital	£110	
	<hr/>	
Capital invested	£1,000	
Return equals	11%	

Fixed loans on mortgage are obtainable from insurance companies or from family solicitors who have trust funds for investment

Many important shopping centres form part of large estates the owners of which will not part with the freehold of any single property

Building Leases

In these circumstances, the more wealthy retailer secures what is known as a 'building lease' of a site and erects his own premises

Under the common form of building lease the tenant agrees to erect buildings of a certain minimum value in accordance with plans approved by the landlord, to keep those buildings in good condition during the period of the lease (usually 99 years) and at the end of that time to hand them over to the landlord. The tenant pays the landlord an annual "ground rent" which naturally depends upon the importance of the site, and he may also have to pay a substantial "premium" or capital sum for the lease, especially if the site is in an established shopping centre

In view of the fact that he must hand the site and buildings over to the landlord on the termination of his lease, and thereafter will have no rights in the property, the holder of a building

Amortization of Leaseholds

lease must consider his investment in it as a 'wasting' asset and gradually write down its value so that when

the lease does expire it will no longer appear as an asset in his accounts. This is done by charging off as "amortization of leaseholds" in each year's accounts a proportion of the cost of the property

In some cases, particularly in developing new townships, landlords build shops to suit the first tenants and sell them 99 years' leases

Another disadvantage of bank overdrafts is the tendency of banks to call for repayment in times of depression. They have been compared to friends who lend an umbrella during fine weather and ask for its return when it rains, inasmuch as they regard all loans as temporary and are prone to encourage borrowing in good times and to press for repayment and refuse further accommodation whenever money becomes 'tight'.

The withdrawal of credit facilities by an apprehensive banker may be a death blow to a struggling business, and it is, therefore, advisable for the trader with limited capital to exercise caution in dealing with his bankers. He must never take their continued co-operation for granted or use money borrowed from them in any speculative venture.

The purchase of shop property is an operation for which the retailer will require all his wits about him, for there are many pitfalls to be avoided, and bargaining ability and strategy will make a great difference to the price paid.

Buying Shop Property

Property owners can be divided into two types—investors and speculators. Most of the property held as an investment is managed by solicitors or agents on behalf of trusts, public bodies, or wealthy landowners and such people are not keen on disposing of separate properties excepting when money has to be found for estate duty or some other demand upon the owner. Their aim in managing property is to secure a steady income for their clients, and they take very little notice of market conditions and fluctuations in values. This means that if property is improving in value they may be letting, or even selling, for less than the current value but if the property is deteriorating in value, one may find them holding out for rents or prices that are no longer justified.

It will be understood that the value of property does not stand still. Under normal circumstances it gradually reduces as the property becomes old and the time approaches when new money will have to be invested in rebuilding or redeveloping it. Exceptional conditions, relating to business opportunities, may however, cause shop property values to rise steadily or suddenly and, in the case of freeholds, increases in the value of the land may more than offset the depreciation in the value of the buildings.

Speculators in shop properties are usually persons of comparatively limited means who are out for quick profits. They seek to

take advantage of every opportunity that presents itself in the shape of abnormal market conditions the forced sale of property previously held for investment or the eagerness of a shopkeeper to secure a good site

Speculators
in Shop
Property

Speculators cannot afford to hold properties long because this means that their capital and credit are tied up and they lose opportunities. Because of this they may have to unload at a loss in times of depression. In times of prosperity it is usually better to deal with the investing owners but in times of depression there may be a decided advantage in dealing with the speculators.

Owing to the close relations existing between many estate agents and speculators a retailer should never confide his ambitions to a strange estate agent or show enthusiasm for a property offered him. Furthermore he should never buy property in a hurry which means that if he knows that he will have to find other premises at some time in the future he should start looking for them several years before that time. By playing a waiting game the retailer can not only negotiate in a casual critical manner which is likely to keep prices low but he can also be ready to take advantage of bargains that result from forced sales occasioned by estate duty claims or speculators' troubles.

It has become the practice for properties scheduled for disposal to be put up for sale by auction in order to feel what demand there is for them but as it is customary to put a high reserve or minimum selling price on them experienced buyers rarely take any interest until after the auction sale when if the property has not been sold and the contemplated sale is a forced one the owners should be in a mood for sacrifices and a buyer can make an offer based upon his own valuation of the property.

Sales by
Auction

The retailer will do well to employ expert surveyors to inspect properties for him and advise as to their condition and value and also to employ solicitors specializing in conveyancing work to examine the vendors' title to the property. Any attempt to save professional fees in buying properties may indeed be penny wise and pound foolish.

Employment
of Surveyors

A surveyor can often see possibilities the average retailer would not suspect in a property. Although spick and span premises may

look more attractive property which has been neglected often makes a much better purchase and a surveyor may be able to show how to bring the premises up to date and greatly increase their value by quite a modest expenditure. For example it may be possible to turn a blind wall into shop windows to turn living rooms into showrooms or to extend the ground floor showrooms at the rear.

Unimportant businesses often hold valuable properties or tenancies and it may pay the retailer to purchase a neglected business not necessarily in his own trade in order to obtain its premises.

The retailer who is unable to purchase the freehold or leasehold of his premises must be content with an ordinary tenancy agreement for a term of years. If he is convinced of the value of premises he will naturally press for as long a tenancy as he can obtain but he may wish to have the right to curtail the tenancy if it proves unsatisfactory to him. For example he may obtain a twenty one years agreement with power to terminate the tenancy at the end of seven or fourteen years. Such agreements usually restrict the tenant's use of the premises to forms of trading approved by the landlord prohibit the tenant from altering the premises in any way and impose upon the tenant obligations in regard to periodical decoration and repairs and the payment of municipal and water rates and other premises expenses.

Small retailers dread a repairing lease or agreement in which they undertake to execute necessary repairs to the premises but few landlords will agree to keep shop property in repair and those who undertake to do so often ask a much higher rent and do as few repairs as they possibly can so that the retailer may be better off with a repairing lease. He should however protect his interests by submitting the agreement or lease to a reliable solicitor for scrutiny on his behalf. Although the landlord's solicitor may be of unquestionable integrity it must be remembered that he has to look after his client's interests and make the most favourable agreement he can from the landlord's point of view. The wording of the agreement is all important and an extra clause inserted as a *try on* by the landlord's solicitor and passed by an unsuspecting tenant may greatly increase the tenant's obligations.

For example in the ordinary form of shop tenancy agreement the tenant usually undertakes to paint grain varnish paper

whitewash, and cleanse the premises and the fixtures, fittings, and appurtenances thereto," but the landlord's solicitor may try to add "amend, renew, uphold, support and maintain the drains, sewers, water courses, and walls." This is an undertaking applicable to building leases which a tenant entering into an agreement for 21 years or less should avoid giving because it might involve him in very heavy expenses for structural repairs or modernization of drainage.

Another important matter is the provision for reinstatement of the premises after a fire. In most cases the landlord or his agent insures the premises and recovers the premiums from the tenant as they are paid. In these circumstances the agreement should stipulate that in the event of the premises being damaged or destroyed by fire the landlord will reinstate them at once, and that if the moneys recovered from the insurance company are insufficient for this purpose he will make good the deficiency out of his own pocket.

Reinstatement
after Fire

If the tenant anticipates spending a considerable sum in fixtures which would attach to the property and, therefore, become part of the premises, he must remember that they have to be left for the landlord when he gives up the premises. He may be able to arrange for the landlord to pay at least part of the cost, either at the time the money is spent or when the premises are given up at the end of the tenancy. Such an arrangement should be negotiated by the tenant's solicitor and confirmed in the tenancy agreement.

Fixtures "

The position of tenants of business premises in England and Wales has been somewhat improved by the passing of the Landlord and Tenant Act of 1927, which enables a tenant whose lease or tenancy agreement is expiring to claim, in certain circumstances, either a further lease or, as an alternative, compensation for the value of improvements made to the premises by the tenant, and for the value of any goodwill which the tenant's activities have attached to the premises. The Act applies to all premises used for carrying on a trade—including shops, offices, warehouses and factories—irrespective of the value of the premises or the length of the tenancy, but it will be seen later that a minimum of five years' occupation is necessary before certain of its benefits can be obtained.

Landlord
and Tenant
Act, 1927

Although this Act was designed to protect tenants from victimization by landlords, it is a very complicated measure, containing many loopholes for landlords, and is not nearly so helpful as some retailers may imagine.

The Act determines the procedure to be followed by a tenant claiming a further lease or compensation for improvements or goodwill and it sets up the local County Courts as tribunals for the settlement of controversies in respect of such claims. In deciding whether or not a tenant should be granted a further lease against the wish of his landlord, or whether as an alternative to a further lease he should have compensation for improvements or goodwill, the Court takes into consideration not only the circumstances of the tenant but also those of the landlord.

For example the Court will not grant the tenant a further lease if the landlord requires the premises for his own occupation, or if the premises are to be rebuilt or included in some redevelopment scheme, and, where a further lease is granted the rental fixed by the Court may not be what the tenant can afford to pay but what the landlord can obtain from some other prospective tenant. A compulsory renewal of a lease must not be for more than 14 years—the period is fixed by the Court—and when this period expires there can be no further compulsory renewal.

In the event of a further lease being refused or the tenant voluntarily giving up the premises at the end of the tenancy, he may have a claim in respect of improvements made to the premises for the purpose of his business, but such improvements must have been made since the 25th March 1928 (the date when the Act came into operation) and at least three years before the termination of the tenancy. Furthermore, the improvements must have been made with the consent of the landlord or by the authority of the Court. The procedure is for the tenant wishing to make an improvement to send full particulars to the landlord. If the landlord agrees to the improvements being made or makes no objection within three months the tenant proceeds with the work, but if the landlord objects, the tenant applies to the Court for authority to carry out the improvements, which authority will be refused if the landlord's objection is upheld by the Court.

There are a number of grounds on which a landlord may successfully object to improvements being scheduled for compensation for example if they do not relate to the tenant's business if they do not add to the value of the premises to the *landlord* for letting purposes or if they are trade fittings which the tenant would be entitled to take away when he vacated the premises

Landlord's
Objections to
Improvements

Where improvements are to be made the landlord may elect to have the work carried out at his expense and charge the tenant a reasonable increase in rent

If a tenant taking premises undertakes to do certain work as a condition of his lease or agreement this work cannot be considered as an improvement for the purposes of compensation Buildings erected under a building lease are therefore not improvements

Where compensation is payable the amount is limited to the capitalized value of the net addition to the *letting value* which results from the improvements or the amount it would have cost to carry out the improvements at the end of the term whichever is the smaller The amount of compensation thus depends upon how much the landlord gains by them not upon how much the tenant loses If the premises are to be demolished at the termination of a tenancy no compensation for improvements will be payable because the landlord will not benefit by them

Compensation for loss of goodwill can only be claimed when the business has been carried on for at least five years and the landlord refuses to grant a further lease It is limited to the amount which the tenant's activities have added to the value of the property to the *landlord* for letting purposes If the goodwill is solely due to the situation of the premises or to the landlord's action in protecting the business from neighbouring competition the tenant cannot obtain compensation

Compensation
for Goodwill

A landlord may combat a claim for compensation for goodwill by offering the tenant alternative accommodation in neighbouring premises and a tenant who is awarded compensation for goodwill may have to give an undertaking not to engage in the same trade in the same neighbourhood

Compensation for goodwill will not be allowed when the business is professional as distinct from trade or where it consists of letting of residential flats nor will the claim be successful

premises belong to a Government department local authority charity railway or other public undertaking which requires the premises for its own use

It is important to note that where a tenant's lease or agreement is coming to an end and he wishes to claim a renewal or compensation for improvements or goodwill he must give the landlord notice of his claim at least twelve months before the termination of his tenancy. Where the tenant gives the landlord notice to quit or the landlord gives the tenant notice to quit notice of claim must be given to the landlord within one month after service of the notice to quit. A claim for improvements (but not a claim for goodwill) can be made even where the tenant gives notice to quit. The tenant should go to a solicitor specializing in landlord and tenant cases in ample time before notice has to be given so that the solicitor can give full consideration to the case and advise as to the best course to pursue.

The Landlord and Tenant Act 1927 also granted relief to tenants in two other matters which have caused a great deal of trouble to shopkeepers i.e. dilapidations and the right to assign a tenancy. It provides that where premises are to be demolished on the termination of a tenancy the tenant will not be liable for dilapidations in respect of breach of covenants to repair and that where structural alterations are to be made the outgoing tenant will not be liable for dilapidations for repairs which the alterations would render valueless. This puts an end to the objectionable practices of certain speculators who bought reversions on leases from ground landlords and bullied the outgoing lessees into paying large sums by way of damages for dilapidations. The speculators then offered the property for sale as a building site so that the dilapidations money they received was rarely spent on repairs.

The Act also stipulates that permission for a tenant to assign his lease must not unreasonably be withheld by the landlord. This means that if a retailer is disposing of his business and the purchaser is a suitable tenant the landlord cannot refuse to accept him if proper notice of the assignment is given and the landlord's legal expenses of giving consent to the assignment are paid.

This puts a stop to the practice of some landlords who insisted

upon tenants guaranteeing the rent after they had assigned the premises although of course a landlord may still reasonably insist on such a guarantee being given if the tenant wishes to assign the lease to a person who is an unsuitable tenant

It has already been pointed out that the decoration and equipment of retail premises are best left to experts but as this is not always desired it may be advisable to provide a few general notes on the subject

Decorat on
and Equipment
of Premises

Retailers who appreciate the power of environment endeavour to create a pleasant and comfortable atmosphere in decorating and furnishing their shops If the surroundings are bright and congenial customers will be in a better mood to buy and salesmen will be in a better mood to sell In this connection particular attention must be paid to the lighting heating and ventilation as these are vital factors affecting the health and efficiency of the staff and the temper of the customers

The use of artificial lighting during the day should be avoided as much as possible by the provision of the maximum number of windows roof lights and reflectors as

Lighting

apart from the need for economy working continuously in artificial light has a devitalizing effect upon the staff

The electric lighting should be indirect free from glare or flickering and evenly distributed to avoid shadows Powerful ceiling lamps are much preferable to a large number of small lamps

For heating purposes the commonly used system of hot water circulation through boilers and radiators is still the most effective and economical available and has the advantages of cleanliness and safety Thermometers recording the temperature of the outgoing and returning water should be attached to the boilers and care taken to maintain the temperature at a level comfortable for working avoiding overheating and sudden changes

Heating

The ventilation of extensive premises may present a difficult problem and necessitate the use of concealed fans for drawing off stale air and pumping in fresh air which has been heated or cooled to the required temperature

In selecting such essential items as counters facias sunblinds floorcloths carpets window fittings scales and shelving the retailer will be well advised to deal only with suppliers with an

established reputation and to buy the best quality he can afford, so that his shop will be given a dignified and prosperous appearance and he will not be troubled with early renewals

Furniture and Fittings As soon as it becomes known in the trade that he is shopfitting he will probably be inundated with offers of business machines and novel shop fittings all of them attractive, but many of them costly and of doubtful utility. The safest way to select this class of fitting is to ask to be allowed to have them on free trial for a month, on the understanding that if their utility does not justify their purchase they need not be kept. Most of the suppliers are agreeable to this test.

In organizing a retail business of any size, it is very important to delegate to some conscientious individual the responsibility of seeing that the premises and all fixtures, fittings, **Maintenance of Premises** furnishings, and equipment are kept in good condition and repair. Dilapidations are cumulative and neglect of necessary repairs may lead to serious damage. For example, a defective gas fitting may lead to an explosion, worn-out electric wiring may lead to a fire, and a leaking tap may lead to falling ceilings and damaged stock.

Such items of equipment as lifts, boilers, and fire-fighting appliances and vacuum cleaning, refrigerating and ventilating plants depend for their efficiency upon their receiving regular and intelligent attention. Yet in many quite large shops there is no provision made for this and such items are neglected until they draw attention to themselves by failing to function.

In extensive premises there is work for a "Premises Department" or "Maintenance Department," controlled by a man of the practical and versatile foreman type and employing a skeleton staff of artisans, e.g. plumber, electrician, engineer, painter and carpenter. **Work of Premises Department** The premises manager may also control the doormen, tunekeepers, firemen, messengers, cleaners, and the detectives employed to watch for pilfering and shoplifting.

A programme of periodical inspection and maintenance should be drawn up and the work divided among the premises staff, every item of equipment being made someone's responsibility. When decorations, alterations or repairs on a large scale have to be executed, the skeleton staff may be augmented by bringing

in temporary men of the trades required. Each artisan regularly employed will then become responsible for the work of the temporary men of his trade.

The retailer whose premises are not large enough to justify the regular employment of maintenance men may be well advised to arrange with some local firm of builders for regular inspection and maintenance service by yearly contract, the terms for which are usually quite reasonable. The cost of such a service may be covered many times over by the breakdowns avoided and repair bills saved on the principle that a stitch in time saves nine.

At the same time the retailer will need to make adequate arrangements for the cleaning of his premises, for dust and litter are deadly enemies to his stock and therefore to his goodwill and profits.

An electrical vacuum cleaner of the portable type with flexible hose is recommended for the removal of dust, as sweeping does more harm than good by raising the dust. Care should be taken to see that the cleaner selected is powerful enough to draw out dust and litter from crevices and corners and to clean carpets without damaging the pile.

Vacuum
Cleaners

In large shops it may be advantageous to use a central air suction pump or "blower," connected by tubes to points in various parts of the building, from which flexible hoses can be run for cleaning purposes. An installation of this kind can be used in conjunction with a cash tube system.

CHAPTER IV

BUYING

THE function of buying is that of providing the shop with adequate supplies of merchandise for display and sale, in an attractive variety that accords with the policy of the business

There are three factors in buying—

1. Study of demand, i.e. study of the customers' requirements and preferences

2 Study of supply, i.e. study of the goods and the sources from which they can be obtained

3 Organization of routine, i.e. arrangement of systems for ordering goods, receiving them into stock and checking the suppliers' invoices

Whether or not a buyer is entrusted with the supervision of selling operations, he must keep his eye on the selling side of the business, paying attention to changes in public taste and fluctuations in demand as well as to changes in design and fluctuations in wholesale prices. Goods are only attractive to a retailer if they are attractive to his customers, and wholesale bargains are only bargains to a retailer if the goods can readily be sold to his customers at a fair profit

Study of
Demand

The study of the customers' requirements is dealt with first in this chapter because it is first in importance, more important even than the study of sources of supply. The buyer who is not fully conversant with sources of supply may lose some profit through not buying at the right price, but the buyer who is not fully conversant with the customers' requirements and preferences may accumulate "dead stocks" and make total losses through buying unsaleable goods. This explains why, generally speaking, salesmen make better buyers than do factory men.

The Buyer's
Responsibility

The policy of the business and, in the case of a department store, the "boundaries" of his department direct the buyer as to the customers he shall cater for, and the limits of the range of merchandise he shall offer them, and he has to interpret this policy in terms of actual

merchandise. He has not only to visualize the needs and tastes of his customers' but also to anticipate them. In other words, he has not only to know what they want but also what they would like.

The buyer shoulders a very heavy responsibility in this respect because the goods displayed and advertised are taken out of his stock and therefore his interpretation of the policy in terms of merchandise governs the displays and advertising. If owing to errors of judgment on the part of a buyer, displays and advertising are devoted to unsuitable goods, money and opportunities will be wasted.

Purchases made by retailers can roughly be divided into four categories: (1) stock lines regularly purchased in large quantities and always held in stock; (2) new lines purchased for stock in moderate quantities with a view to testing their suitability; (3) lines not stocked or variations on stock lines purchased specially for individual customers; (4) novelties and job lots bought to give interest and attraction to the displays. The volume of purchases in each category depends upon the trade and class of business and the policy.

Classification
of Purchases

In the majority of retail businesses stock lines or bread and butter lines, as they are called, predominate and account for the bulk of the turnover. Character is given to a shop by the goods it stocks and also by the deliberate omission of lines from its stocks, that is to say by specialization. It is therefore the stock lines that build up the reputation of the business and classify it amongst businesses.

The new shop opening with a show of high class goods from well known manufacturers is described at once as a high class shop which may or may not be an advantage according to the locality.

In regard to stock lines the buyer's object will be to offer his customers regular supplies of goods of uniform quality at steady prices, thus aiming at a reputation for reliability. Both sales and customers will be lost if the shop is continually running out of stock or if the quality of its goods is inconsistent or if its prices fluctuate. It follows that in making arrangements for supplies of stock lines he should deal only with reliable manufacturers or merchants and insist upon regular and continuous supplies, unvarying quality and steady prices.

He can best achieve his objective by establishing friendly connections or contracts with a limited number of reliable suppliers. If

his business is important he will bargain for preferential treatment as to prices, discounts, and terms of payment, and maybe for exclusive selling rights. The buyer's bargaining power depends of course, upon the importance of the orders he is able to place, and this is one reason for limiting the number of suppliers from whom purchases for stock are made. Small retailers very often make the mistake of trying to buy from every important supplier in their trade, with the result that their orders are unattractive and they have no bargaining power. Dealing with a large number of suppliers is excusable when proprietary lines are dealt in, and every supplier's goods represent so much potential business which would be sacrificed if the goods were not stocked, but it is not excusable for a buyer to divide a volume of 'free' business between competitive suppliers running precisely similar lines. The term 'free business' is used to describe the volume of customers' orders which can be met by supplying suitable goods from any source of supply as distinct from 'proprietary business' in which the customer definitely orders the goods of a particular supplier and therefore ties the retailer's hands.

The sale of proprietary articles under the names or brands of suppliers is of great assistance to retailers generally, because it simplifies the process of retailing. In particular, the suppliers, by advertising their lines to the public in competition with one another increase the demand for them and educate the public to use them and by fixing the retail prices the suppliers ensure the retailers a fair margin of profit. There is the further point that proprietary articles have to be consistent in quality. A supplier naturally pays much more attention to quality, consistency and condition if the goods are to be sold to the consumer under his name.

In some trades it is almost impossible for a retailer to avoid selling proprietary lines and many retailers sell nothing else. This is the danger point in connection with proprietary articles. If a retailer's trade is all in proprietary articles his goodwill may be merely a reflection of the supplier's goodwill. If a quarrel with a supplier results in a stoppage of supplies part of the retailer's goodwill will be lost and, more important still, if a new shop opens in a better position it can sell exactly the same range of lines and, maybe capture the goodwill.

There are two ways in which a retailer may be able to protect the goodwill of his business (1) by obtaining exclusive selling rights for his district and (2) by selling goods under his own name or brands

A contract for exclusive selling rights or local agency as it is sometimes called gives a retailer the full advantage of the local demand for the goods since they cannot be obtained elsewhere in the district. In some trades such agencies are unknown but they are very common in the men's outfitting shoe sports goods and other trades in which goods have to be stocked in a great variety of sizes and styles

Exclusive
Selling
Rights

Many manufacturers in such trades welcome agency arrangements because they regularize their relations with retailers reduce the cost and difficulties of distribution and make for more energetic co-operation on the part of retailers

Some of them take steps to ensure the retailer's active co-operation by granting the agency subject to certain conditions. For example the retailer may have to undertake to keep the full range of the supplier's lines in stock to devote a certain amount of display or advertising to them to refrain from stocking competitive lines or to take a prescribed minimum quantity of goods from the supplier in each year of the agency

Agency
Conditions

Suppliers will rarely force a retailer to keep strictly to such conditions unless they consider he is neglecting or abusing the agency. Their object is to get the retailer to display and sell the goods instead of merely stocking them

Agencies of this kind may prove very valuable to a retailer—some very important businesses have been built up on one agency—but he must go carefully into all the possible advantages and disadvantages before committing himself. The most important points to be taken into consideration will be the reputation of the supplier and quality and attractiveness of his goods and also the probability or otherwise of the retailer's being able to meet the supplier's conditions without inconvenience or sacrifice of other opportunities

The alternative and even more effective method of protecting retail goodwill is for the retailer to develop his own brands of merchandise selling goods under his own name or trade mark. This is the method adopted by the multiple shop companies and co-operative societies

Own Name
Goods

For this purpose the retailer may buy raw materials and manufacture or make up his own goods, he may buy unbranded goods and put his own name on them, or he may buy his goods, ready for sale, with his name on them

The business of manufacturing is entirely different from that of retailing, and the average retailer makes a very indifferent manufacturer. There are a number of manufacturers who conduct successful retail businesses with the object of selling their own goods, but one rarely finds a retailer successfully carrying out an ambitious manufacturing plan, probably because the obligation to dispose of his factory's output precludes a manufacturing retailer from co-operating with other manufacturers and causes him to sacrifice valuable opportunities. In a modest way, however, a retailer may be able to add considerably to his goodwill and profits by making up his own goods or giving them some degree of special preparation, even if this only consists of putting them into his own containers or putting his own labels on them.

He must, however, bear in mind the fact that he is staking his reputation on any goods bearing his name, and unless he makes sure that they are of correct description and consistently good quality and value for money, he may do more harm than good to his reputation. The public preference for branded articles of well known manufacturers is to some extent attributable to the clumsy work of some retailers who have prepared their 'own name' goods with an eye to profit rather than to prestige. The retailer is, therefore, on safer ground in arranging for a reliable manufacturer to prepare his "own name" goods for him and label them as desired. In nearly all trades there are manufacturers who make a feature of supplying retailers with goods specially prepared for sale under the latter's own name. The "special preparation" may apply merely to the label, or the goods may actually be prepared to the retailer's specification or formula.

Such goods can usually be obtained at attractive prices, because the manufacturer has no advertising expenses to pay, and, generally speaking, it is not necessary to use such expensive packing and containers as in the case of goods advertised by manufacturers. The retailer will have to buy in sufficient quantities to cover the cost of special preparation,

"Our Own
Make"

Economic
Advantages

but where this only applies to the labels the quantities need only be modest. If his business is important he will be able to obtain the exclusive selling rights for his district of the own name lines so that they cannot be sold in the district under any other name not even that of the manufacturer.

Some manufacturers will not allow their goods to be sold under any other name but their own but endeavour to meet the retailer's wishes by overprinting their ordinary labels specially prepared for so and so. This is not nearly so helpful to the retailer as if the manufacturer's name were omitted altogether and it is obvious to a sophisticated customer that the goods are the manufacturer's standard product obtainable at any retailer's in the trade.

Even if he can offer his own name goods at lower prices than those of advertised articles of comparable quality the retailer must not flatter himself by imagining that his customers will buy goods with his name on in preference to goods sold under the brands of well known manufacturers. He must develop his name and brands bring out the attractive features of his goods in advertising and displays and get his salesmen to praise and demonstrate them following the example of the leading multiple shop companies. Name counts for so much in present day merchandising that if a retailer removed the manufacturer's name from some well known proprietary articles he could not sell them for a quarter of the fixed price.

The purchasing of own name goods is therefore not a matter to be treated lightly and the selection of the first lines to bear the retailer's name is a matter of vital importance. Once a retailer has established a good reputation for his own name lines he can add more and more of them to his stock with the knowledge that they are at least sure of favourable consideration by his customers. On the other hand if the retailer selects his first own name lines unwisely or fails to boost them sufficiently he will merely be burdening his shelves with large quantities of unsaleable stock.

It may be advisable to explain that taking a quantity does not necessarily mean taking a large quantity in one consignment. The supplier's aim is to establish regular channels for the distribution of his merchandise and he will usually be satisfied if the retailer orders the prescribed quantity for delivery within a certain period and takes delivery

Own Name
Goods v
Proprietaries

Supply
Contracts

by instalments as and when he requires the goods. Alternatively, the retailer may agree to take delivery of a regular quantity of goods each week or each month for a certain period.

In the case of very important retailers, delivery by instalments is much more convenient to the manufacturers than bulk consignments would be, as it makes for much smoother working of the factory and enables new fashions to be put on the market quickly. Some manufacturers of millinery and dresses catering for the London stores make two or three deliveries a day in the busy season. There is the further point that with frequent deliveries less storage space is required at both the factory and the shop.

In all progressive businesses the buyers have to introduce new lines into their stock continually, in order to give their customers a variety to choose from and to meet changes in fashion or taste. In the trades most susceptible to fashion changes this is a vitally important feature of the buyer's work, and he must anticipate his customers' new requirements all the time. In trades in which proprietary articles predominate, the buyer's "trial" purchases will take the form of small orders for new lines, bought in order to test their attractiveness to his customers and to take advantage of any demand that may be created by the introductory advertising.

The golden rule for trial purchases is to give small orders and get the goods into stock as quickly as possible, anticipating the fashion or the advertising and therefore getting the full benefit. Many buyers make the fatal mistake of withholding their orders until their customers are actually asking for the goods, and then ordering large quantities. The result of this is that the customers go elsewhere for the goods and by the time the buyer receives his supplies the demand is over.

Most of the new fashions and new proprietary articles introduced turn out to be "nine-day wonders," and, unless the buyer has sufficient courage to order small quantities of the goods in anticipation of the demand, it is better for him to leave them alone altogether. "Timid buyer's dilemma" is the name given to the position of the buyer who has bought fashion goods too late. If he does not put them on show, they will prove a dead loss, and if he puts them on show they will make a laughing stock of his shop.

"Nine-Day
Wonders"

If a new line does establish itself with the public the buyer who first satisfies the demand will be the first to appreciate the fact and he can then make arrangements for regular supplies

In some trades goods have to be supplied in such infinite variety or adapted so closely to individual customers requirements that the buyer may have no hope of satisfying more than a small proportion of his customers requirements out of stock and may have no desire to do so The high class furnishing and men's tailoring trades may be quoted as examples In these circumstances the stock in the shop consists largely of models photographs patterns or samples which enable the customer to make his choice and the salesman to interpret the customer's requirements

Special
Purchases for
Individual
Customers

Although the shop is responsible to its customers for the finished articles it is really selling service and therefore service must be the keynote of the buyer's relations with his suppliers Further more the service must be quick because in many cases the retailer will wish the customer to think that the goods are in stock or are being prepared in his own workrooms

There are obvious advantages in being able to buy goods as and when they are ordered by customers instead of having to carry them in stock especially for the retailer with limited capital He may not make so much gross profit on goods bought in such small quantities but he does not have to tie up his capital in heavy stocks and therefore avoids loss through depreciation obsolescence or mistakes in buying resulting in unsaleable stocks

However large and well assorted the stocks of a shop may be they can never be complete there will always be customers asking for something that is not included It is therefore a great advantage for any business to be organized to deal with special purchases as it increases the scope of the business and supplements the ordinary turnover and profits Several of our largest department stores were built up on special orders and still rely on them for a large proportion of their turnover The arrangements made for obtaining goods for customers at short notice enable the buyer to avoid stocking many lines that are likely to hang fire or are subject to rapid depreciation

Supplementing
the Stocks

If a buyer wishes to play the part of universal provider he must be in a position to show the customer models photographs samples

or patterns of the goods in which she is interested, to quote her definite prices, and to say with assurance how long it will take to obtain the goods. He cannot expect the customer to buy "a pig in a poke" and he must guard against the salesmen making mistakes by misinterpreting a customer's requirements, quoting wrong prices or giving rash promises regarding delivery.

This calls for a considerable amount of preparatory work, and the systematic recording of specimens, information, and prices obtained from suppliers, and it also necessitates advance arrangements being made with suppliers regarding the execution of orders and terms of payment.

The telephone may be used to obtain supplementary prices and information from suppliers and to order the goods, subject to written confirmation, and by this means an order may sometimes be obtained for a line previously unknown to the buyer, and the goods ordered from the supplier, before the customer leaves the shop. It will be understood, however, that telephone inquiries are a poor substitute for forward arrangements, as the information obtained may not satisfy the customer and the order may be lost, or a misunderstanding may lead to her being disappointed with the goods and leaving them on the retailer's hands. Furthermore, the best prices cannot be obtained from the suppliers over the telephone.

If a customer asks for something that is not in stock and is not willing to wait while the retailer obtains it for her, as must be expected if the goods are required for immediate consumption or use, an order is lost, and there is danger of losing the customer's patronage. It is, therefore, essential for such cases to be recorded and reported to the buyer, so that he can consider the advisability of stocking the lines asked for. The simplest method of dealing with this matter is to place in each department a "Lost Order Book" containing forms similar to that illustrated on page 65. The salesmen will then be instructed to record every lost order in duplicate as soon as possible after the customer has left the shop, and to tear out the top copy and pass it to the buyer, leaving the other copy in the book for reference. It should be pointed out to the salesmen that it is greatly to their advantage for these lost sales to be recorded in order that the stocks may be as complete as possible, and that

Lost Order
Book.

LOST ORDER BOOK

LOST ORDER

No T 71

Memorandum for Buyer

Mr Russell

Department

Tobacco

Full description of goods asked for

Bright Boy Virginia Cigarettes

Size

10

Price

6d

Manufacturer

*Smith Tobacco Co**Newcastle on Tyne*

Customer's remarks

Contain coupons for attractive gifts

Customer's name and address

Mrs A Brown, 34 West Avenue, W 1

FOR BUYER'S USE

Salesman's signature

Ordered *11/5/31**R Cooper*

Filed

Date

8/5/31

the more information they give to the buyer the more likely is the line to be identified and obtained

The object in securing the customer's name and address, where possible, is to enable the buyer, in sufficiently important cases, to write her a letter of apology and also to notify her when the goods come into stock

If the buyer decides to place a trial order for the line asked for, he will treat the Lost Order Form as a requisition for the goods, and advise the salesman that they are being obtained. On the other hand, if he does not consider the purchase justified he should file the form away in a Lost Order File, which may be kept in alphabetical order under the names of the manufacturers, to facilitate reference. Inspection of the file will then show the buyer whether he has repeatedly lost orders for a particular line or whether he is losing business through not dealing with a particular manufacturer. In some large shops the principals inspect the salesmen's Lost Order Books and the buyer's lost order files at intervals, as a check on the buyer's attention to this vitally important matter.

The buyer may find it necessary to make occasional purchases of novelties or goods of topical interest, which can be used to make attractive displays to "freshen" the appearance of slow moving stocks or to act as a foil for stock lines. Such goods are usually bought in small quantities and may have little or no value as merchandise yet they may play a very important part in advertising the shop, in giving expression to its character and policy, in attracting new customers and in retaining the interest of regular customers.

Customers quickly tire of a shop which "never seems to have anything new," and even people who are most conservative in their own purchases like to have an opportunity of inspecting bizarre creations and eccentric designs.

The shopping public loves bargains, and many shops make a feature of "bargain sales" or "special offers" for which the buyers have to secure "job lots," i.e. odd parcels of merchandise which are selling, for some reason, at considerably less than the usual wholesale price and can therefore be offered to the public at considerably less than the usual retail price. Such job lots may take the form of manufacturers'

surplus stock—the result of over production manufacturers remainders of lines which have been withdrawn from their catalogues through insufficient demand complaints regarding quality or changes in design foreign goods dumped in this country which have failed to find a ready purchaser salvage stock from fires or shipwrecks or bankrupt stocks from manufacturers or retailers who have failed in business and been sold up

Another class of job lots consists of lines made up by manufacturers especially for retailers bargain sales with more regard to attractive appearance than to reliability Buyers for important department stores have to provide enormous quantities of each of the astounding bargains which are extensively advertised at sale times and cannot rely entirely on purchases of odd parcels and remainders They therefore make arrangements with manufacturers for the production of special bargains and as the quantities are great and the finest workmanship and materials are not expected lines showing remarkably good value for money can be produced Arrangements of this kind should be made well in advance because if the manufacturer is able to buy the materials at the most favourable time and do the work during his slack season he can quote a much lower price

A buyer's most reliable guide to his customers preferences and spending power is a study of the sales actually made and for this purpose it is usual to prepare analyses of sales similar to that given on page 68

Analysis of
Sales to Guide
Purchasing

In the case illustrated the sales are analysed according to retail prices which satisfies many buyers requirements but in some trades a buyer would wish to go further into detail and know the sales of each model or line The analysis is usually prepared by a junior clerk who goes through the carbon copies of the sales checks and summarizes the transactions The figures for each day should therefore be available on the following day

Sales analyses not only enable the buyer to follow the ordinary trend of demand and compare corresponding periods of different years but also to judge the effect of special displays and advertising To facilitate this special events or advertisements should be noted on the analysis

Knowledge of the goods available and of the sources of supply enables a buyer to obtain the goods his customers ask for to find

ANALYSIS OF SALES

LADIES COATS

February 1931

Price	Normal Week							Fashion Parades							Pre sale Week							Bargain Sale							Total for Month
	M	Tu	W	Th	F	S		M	Tu	W	Th	F	S		M	Tu	W	Th	F	S		M	Tu	W	Th	F	S		
	2	3	4	5	6	7		9	10	11	12	13	14		16	17	18	19	20	21		23	24	25	26	27	28		
Under 3 gns	1	2													1	1						4	3	3	6	3	1		30
3 gns to £4	1	1	1	3	1			1	2	4	1				1		1	2				3	2	5	9	4	2		44
4 gns to £5	3	2	3	1	2	1		4	2	4	6	3	2		2	1	2	1	1			6	5	7	4	2	1		67
5 gns to £6	2	2	1	1				2	1	2	2	1			1	1	2	1	1	1		3	4	2	5	2	1		38
6 gns to £7	2	1	3	2		1		3	2	2	2	1	1		1	1	1	1			2	1	1	2	2	1		31	
7 gns to £8	1	1	1					1		1							1					1			1				3
8 gns to £9	1	1	1					2	1	1	1	1	1		1			1											11
9 gns to £10						1		1		1																			3
Over £10	1							1	1	1	1	1																	5
Daily Totals	9	7	11	13	5	2		14	8	14	16	7	3		6	3	7	8	2	1		18	16	23	27	12	5		237

attractive goods for them, and to secure the maximum possible gross profit for his business. A buyer's success or failure depends upon the attractiveness of the stocks and service he offers his customers, and the profits he makes for his principals, not in any particular "stunt," but over a period of years, during which there may be very considerable changes in both goods and prices. He should, therefore, watch his stocks and prices continually, striving all the time to improve the variety and value for money offered to the customers and to make better terms with suppliers. A buyer would be foolish to imagine that he had reached finality in his researches, for his field of operations or "market" is ever changing. There are always new lines which can be added to the stock with advantage, bringing their quota of additional turnover and profit, and sometimes these lines are to be found in most unexpected places. Meanwhile, the volume of business done with regular suppliers is changing, and the suppliers' circumstances are altering, so that there is always the possibility of being able to secure lower wholesale prices, larger discounts, or more advantageous agency conditions.

Study of
Supply.

A buyer very soon earns a reputation for himself amongst suppliers and their travellers, which is circulated in the trade. If he is of the type whose favourite order is 'the same as last time,' his suppliers will be inclined to leave well alone and make no attempt to interest him in new lines or make new arrangements with him regarding prices, terms, or agency, but if he is of the progressive type that is always out for improvements, they are likely to give him first choice of new lines or better terms. It is never safe to give a supplier the impression that one's business is assured to him. The relations between a buyer and his suppliers should be friendly, but this friendship should extend to all suppliers. He should not allow his friendly relations with any particular supplier to cost him the benefits to be derived from competition between suppliers.

Buyer's
Reputation
with
Suppliers

Buyers for important businesses make a practice of avoiding middlemen as far as possible and going as near as they can to the source of supply, i.e. the manufacturer or producer. Their object in this is to avoid paying middlemen's profits and, in some trades, they are able to make very considerable savings. It does not follow, however, that

Employment
of
Middlemen.

it is always good policy for buyers to avoid dealing with middlemen. Some trades are so organized that there is no advantage to be gained by going directly to the manufacturer and the smaller retailer may find it more profitable to deal with middlemen.

Nearly all wholesale prices are affected by the quantities purchased owing to the operation of quantity discounts or rebates and the solution of the problem of whether to buy from manufacturers or wholesalers depends upon the amount of business which the retailer can place with each bearing in mind the fact that the wholesaler usually deals in the products of several manufacturers.

For example if a retailer is only able to spend £100 or so per annum with each of ten manufacturers he will be an unimportant customer and may only qualify for their least attractive prices but if he places all this business with one wholesaler he may be an important customer to that wholesaler and by the operation of quantity discounts on mixed parcels may secure much better prices than he would get from the manufacturers. He may find also that he gets better service from a local wholesaler than from a distant manufacturer and it must be borne in mind that by dealing with a smaller number of suppliers there is a saving in the time and expense of interviews and correspondence.

In the case of very small orders or special purchases for customers there may be a distinct advantage in dealing with a middleman as he will be pleased to supply just the quantity required whereas the manufacturer may insist on a larger quantity being taken. The benefit of a small advantage in price obtainable by dealing with a manufacturer will soon be lost if the buyer has to take more goods than he requires at a risk of loss through depreciation or dead stock.

In spite of the advantages to be gained some small retailers object to placing the whole of their business with one local wholesaler as they consider this would give him too much knowledge of their business. This objection is based on the fact that some local wholesalers control retail shops and it only applies to that type of wholesaler.

In some trades it is a common practice for manufacturers or wholesalers to supply goods to retailers on sale or return or on approval thus giving the retailer the opportunity of stocking and

displaying them with the right to return them for credit if he does not sell them or desire to keep them. This is a great advantage to some small retailers, because it enables them to supplement their stocks with goods that they cannot be called upon to pay for immediately, and their stock and displays need not be limited by the capital they have available for investment in stocks. It also enables them to obtain goods from suppliers for submission to customers, in answer to inquiries and perhaps to pass them to the customers "on approval, an arrangement that is common in the high-class furniture trade.

Obtaining
Goods on
Approval

The lowest wholesale prices cannot always be expected when goods are obtained on approval from suppliers instead of being bought outright, but any difference in price may be more than offset by the advantage of having the use of the suppliers' capital, represented by the goods, and of being able to return goods which are not sold within a reasonable time.

In most businesses the chief point of contact between the buyer and his sources of supply will be the travellers who call upon him. It is very difficult to make any hard and fast rule regarding the interviewing of travellers as so much depends on the number of travellers who call, and the other duties which the buyer may have to attend to, and whether or not he is willing to allow his assistants to interview travellers for him.

Interviewing
Suppliers'
Travellers

Some buyers make a point of seeing every traveller who calls, if only for a few minutes, others fix certain hours of each day or certain days of each week for travellers' visits, and in a few cases travellers are only seen by appointment. It is unsafe for a buyer to make it difficult for travellers to obtain an interview, because this will have the effect of driving the travellers for important suppliers away and leaving him with the small fry, and it is therefore advisable to arrange a system by which the travellers can be classified and dealt with according to their importance.

For example, it may be found that the travellers calling upon the buyer can be classified as follows: (1) travellers who are calling by request, or with a specially attractive offer, or in whose goods the buyer is particularly interested; (2) travellers with whose firms the buyer deals regularly,

Classification
of Travellers

(3) travellers whose lines are not stocked but may be asked for at some time (4) travellers whose lines can be purchased elsewhere to better advantage (5) travellers whose lines are quite uninteresting to the buyer

If a smart assistant is appointed to receive travellers he will be able to classify them as above and deal with them accordingly

Travellers in the first class will be entitled to an interview with the buyer himself and should be shown into him as soon as possible. The buyer will usually wish to see the travellers in the second class if he can spare the time and the assistant should therefore take their names in to him. If the buyer is too busy to see them himself he can instruct the assistant to settle any outstanding business with the travellers and to obtain particulars of any new lines or fluctuations in prices.

The assistant will be able to deal with travellers in the third class himself obtaining their price lists and catalogues and telling them that they will be written to if their goods are required.

Saving the
Buyer's
Time

The buyer will usually look through the catalogues and price lists before they are filed away.

The assistant should be competent to go into prices with travellers in the fourth class and tell them of their disadvantage without disclosing the name of the suppliers with whom the buyer is dealing. They should be advised not to call again unless they can improve upon their offers. Travellers in the fifth class can also be disposed of by the assistant if he explains that they are wasting their time in calling.

A system of this kind will save the time of the buyer and the travellers and may have strategic advantages as the travellers will be encouraged to put forward attractive offers in order to obtain an interview with the buyer.

The buyer of a progressive business must not rely solely upon travellers to keep him in touch with sources of supply. They may be numerous and yet not include representatives of many important manufacturers and wholesalers with whom he should deal. It will therefore be necessary for him to supplement the knowledge gained from travellers

Buyer's
Visits to
Manufacturers

by paying visits to trade exhibitions and suppliers' showrooms and factories and by studying the trade journals and writing for particulars of any lines which sound interesting.

Even when travellers are calling regularly the buyer may consider it necessary to call upon his suppliers and make the acquaintance of the principals, as the powers of the majority of travellers are limited, and a buyer whose orders are important can often make much better bargains by dealing with their principals

Before leaving the subject of travellers, it may be advisable to give a special warning to small retailers starting in business. Unimportant suppliers send a traveller to interview a new retailer immediately they hear of his venture. Their travellers are courteous and eager and unless anything is known against the retailer he will be given monthly accounts. On the other hand, well known suppliers may wait for a new retailer to apply to them. Their travellers may be reserved and critical, and they will not be anxious to give credit. In these circumstances many new retailers are tempted to buy little known goods of doubtful merit instead of well known lines, and may find after a while that all their available capital is invested in unsaleable stocks, leaving them no money with which to buy the lines their customers demand.

Small
Retailer's
Opening
Stock

A new retailer should therefore be indifferent to the courtesy and salesmanship of the smaller fry for the time being and make his purchases from the well known suppliers whose goods are readily saleable.

If he can open monthly accounts with these well known suppliers and judge the selling power of their lines correctly he will be able to use the suppliers' capital in stocking his shop and to pay them partly out of the proceeds of the sale of their own goods. Of course he cannot rely upon selling all of his goods before he is called upon to pay for them. He must have a certain amount of capital for investment in stock and, in order to conserve his capital, he must be careful not to buy goods in too great a quantity. He should set aside any idea of buying well known lines in bulk to obtain quantity discounts or buying less saleable but more profitable goods, until he is in a position to add to his investment in stocks.

Using
Suppliers'
Capital

A tendency to gamble is fatal in a buyer even if he has the resources of a wealthy firm behind him. Although, of course, it is good business to buy quantities of readily saleable lines that are about to rise in price or to reduce stocks of goods that are about

to fall in price such operations must not lead the buyer to purchase quantities of goods of doubtful saleability in anticipation of higher prices or to run out of stock of lines in daily demand in anticipation of lower prices. The buyer's duty is to ensure a frequent turnover of stock and regular supplies to customers rather than to invest the firm's money or risk its goodwill in speculative deals however profitable they may promise to be.

Just as the introduction of a simple system will turn the visits of travellers from a nuisance into a service to the business so will system turn to good account the floods of catalogues, circulars and other printed matter which usually pour in from suppliers.

The best method of dealing with such publications is to form a 'library' by arranging them on shelves in alphabetical order under the names of the suppliers. To facilitate reference the letters of the alphabet may be marked on the shelves under the catalogues. Where there is any volume of special purchases for customers it will be worth while to prepare an index giving the lines or classes of merchandise in alphabetical order with the names of the suppliers from whom they can be obtained.

It may be helpful to have a special section of the catalogue library for publications of retail competitors so that the buyer can follow their activities and the trend of retail prices.

Another very valuable accessory in a buyer's office is a price index giving particulars and wholesale and retail prices of every line stocked or likely to be required. This index may take the form of a loose leaf book or a card index with a sheet or card for each line. A specimen is given on page 75.

It will be seen that this specimen provides space for changes in price to be noted. This is easier than making out a new card every time a price is altered and it enables the buyer to follow the trend of prices over a period. The cost prices are shown in plain figures as they would be if the index was only available to the buyer and his buying assistants. If the index was available to the salesmen the cost prices would probably be in code.

The amount of benefit which a buyer derives from the information contained in catalogue libraries and price indexes depends

PRICE INDEX

<i>Hungry's Invalid Food</i>									
<i>Suppliers</i>			<i>Department</i>			<i>Chemists</i>			
<i>Quantity Discount</i>			<i>10% 1 gross assorted</i>			<i>5% 30 days</i>			
<i>Time Required for Delivery</i>			<i>4 days</i>			<i>Representative Mr A Jones</i>			
<i>Size</i>	<i>Packed in</i>	<i>In Stock or to Order</i>	<i>Date of Price</i>	<i>Cost per bottle</i>	<i>Selling per bottle</i>	<i>Date of Price</i>	<i>Cost per bottle</i>	<i>Selling per bottle</i>	<i>Date of Price</i>
1 oz	12	Stock	20/10/30	s d 1 9	s d 1 6	6/4/31	s d 1 6½	s d 1 9	
2 oz	12			1 1½	1 6		11	1 3	
4 oz	12			1 10½	2 6		1 6	2 -	
8 oz	6			3	4 -		2 7½	3 6	
16 oz	3	Order		5 7½	7 6		4 6	6	

of course, upon the extent to which he uses them. By using them continually for reference and to supplement his memory, he will ensure their being kept in order, otherwise he may find that, when he requires them they are so neglected as to be useless. The same remark applies to any statistics which may be prepared in the buyer's office for submission to the management or for purposes of record. If the buyer watches the figures closely, they may be of considerable assistance to him in his work, but if he takes no interest in them they are likely to be neglected by his staff and may get him into trouble with the management.

CHAPTER V

PURCHASES ROUTINE

In organizing the purchases routine of a retail business of any size the following operations must be systematized—

- 1 Requisitions to the buyers by salesmen or stock keepers requiring goods
- 2 Ordering of goods from suppliers
- 3 Reception of goods from suppliers
- 4 Checking of suppliers invoices
- 5 Fixing selling prices for goods
- 6 Marking goods ready for sale
- 7 Passing goods into stock
- 8 Returning goods to suppliers when necessary

The first point for consideration will be the origin of the order. Some of the orders will originate in the buyer's own brain as the result of his researches or his interviews with suppliers and their representatives and it is up to him personally to see that these are put into operation.

In the majority of cases however the orders will originate from stock running low or customers special requirements and the buyer will have to arrange some system by which he can be notified of these.

In many large business houses the salesmen stockkeepers and others requiring goods are supplied with requisition books containing forms similar to that illustrated on Requisitions
for Goods page 78 in duplicate. They use these forms to notify the buyers of their requirements retaining the duplicate copies in the book for reference.

The specimen is a stock requisition and therefore gives particulars of the stock on hand compared with the maximum and minimum limits fixed for the stock of this particular line. The operation of these limits is explained in the chapter on Stock keeping. The stock number is the retailer's distinctive number given to the line for purposes of identification.

In the case of a customer's special order the requisition would give the name and address of the customer and the number of the

REQUISITION FOR GOODS

REQUISITION TO BUYER

CFR 1073

To *Mr Robinson* Date *11th May, 1931*Department *Cabinet Furniture*

Please obtain the following goods—

Quantity	Size	Description	Price per each
8	4 ft	Sideboards in oak Model S 375	Cost M/DEN Selling £8 8s
Supplier <i>Surrey Furniture Factory Ltd</i> Deliver to <i>Furniture Stockroom</i> Date for delivery <i>18th May 1931</i>			
For Special Orders	Sales Check No Customer's Name Address		
For Stock Orders	Stock No 991	Stock on hand	4
		Minimum stock	4
		Maximum stock	12
For Buyer's Use			
Order No	<i>CFO 6391</i>	Signature	<i>S Ford</i>
Date	<i>12/5/31</i>	Department	<i>Stock keeper</i>

ORDER TO SUPPLIER

UNION FURNISHING STORES LTD

371-393 High Street Redhall

ORDER

(Duplicate for
Receiving Room)

No CFO 6391

Date 18th May 1931

To

*The Surrey Furniture Factory Ltd**New Road Dorking*

Please supply—

Quantity	Size	Description	Price per each	Total
8	4 ft	<i>Sideboards in Oak Model S 375</i>	£5 12s	£44 16s

Terms 2½% discount for cash in 30 days

Deliver to the above address

Date for delivery 18th May 1931

For and on behalf of

UNION FURNISHING STORES LTD

*H Robinson
Buyer*

Requisition	Goods Received	Invoice Passed
No CFR 1073	Date 18/5/31	Date 19/5/31
Dept Mr Ford	Remarks O K	Remarks O K
	<i>F A Wells Inspector</i>	<i>F A Wells Inspector</i>

sales check which would originate the charge to the customer, so that the buyer could, if necessary, verify the sale

Salesmen must be instructed to notify the buyer immediately in the event of a customer cancelling a special order or altering her requirements, so as to give the buyer time to cancel or alter his instructions to the supplier accordingly. Some firms supply printed forms for this purpose, but it is quicker and more satisfactory to make the salesman go straight to the buyer's office and give his explanation personally.

Cancelled
Orders

The buyer will, of course, use his discretion in translating a requisition into an order. He may decide to order more or less than the amount asked for by the stock keeper, altering his stock limits for the line or in the case of a line requisitioned specially for a customer, he may decide to order some for stock. In the case of lost orders the Lost Order Form, illustrated on page 65, will take the place of a requisition.

Orders to suppliers should always be given in writing, or, if given verbally to travellers or by telephone, should be confirmed in writing. This applies to the smallest of businesses as well as to the largest, because it is a safeguard against mistakes in ordering and controversies with suppliers.

Ordering
the Goods

Copies of the orders should always be retained by the buyer, and in a large business it may be necessary to send copies to other departments which have to take part in the routine.

In a typical instance, forms similar to that on page 79 are prepared in quadruplicate, the original to go to the supplier, the duplicate to go to the receiving room, the triplicate to go to the counting house and the quadruplicate to remain in the buyer's office. All four copies are printed alike, except that the portion below the double rule does not appear on the original which goes to the supplier, as this does not concern him, and the space can be used for general instructions to suppliers regarding the marking of parcels and boxes, times for delivery and the sending of invoices with the goods.

It may be noticed that the Order Form illustrated has been prepared from the Requisition Form on page 78, except that the buyer has naturally substituted the wholesale price for the retail price. All trade or quantity discounts should be deducted in arriving at the prices mentioned.

The
Order Form.

on the order, thus clinching any bargain made, and particulars of any cash discounts obtainable should be given, so that the counting house can avail itself of them if desirable

The Order Form gives the supplier's model number and a definite date for delivery. It is imperative that nothing be left to chance in ordering goods, as delays and controversies would result. The goods must be described in a way that will leave no room for doubt as to what is required, and such vague expressions as "as selected" or "as verbal order" or "as before" should not be tolerated. The object in giving a definite date for delivery is to enable the order to be cancelled if the supplier does not deliver in time and cancellation is desirable. In the case of urgent orders the date the order will reach the supplier may be made the date for delivery. Such expressions as "soonest possible" or "urgently required" do not meet the case, but the order form may be marked "Urgent" with a rubber stamp impression, in addition to giving an early delivery date.

The duplicate order warns the receiving room of the purchase and enables them to prepare for the goods and to identify them when they arrive, while the triplicate notifies the counting house for statistical or buying control purposes.

In a business of any size, all incoming goods have to pass through the receiving room, where they are examined and checked with a copy of the order and the supplier's invoice. The receiving room usually operates as a check upon both buyers and suppliers, its main responsibilities being to see that no goods are brought in without having been ordered in the proper way and that the suppliers' invoices are checked before the goods are passed into stock. The inspectors may, therefore, refuse to accept goods from suppliers if they have not received a copy of the buyer's order for them, and they may refuse to release goods to the departments until they have received the supplier's invoice for them.

Receiving
Room





In some department stores, where a bewildering variety of merchandise passes through the receiving room, it is the rule for the buyer who ordered the goods, or his deputy, to go down to the receiving room and check them with the invoice in the presence of the inspectors, so that the inspectors have the benefit of his technical knowledge and can satisfy themselves that the invoice has been properly checked.

GOODS RECEIVED BOOK

Goods received on *Monday 18th May 1951*

Supplier	Brief Description	Order No	Delivered by	Inspected by	Goods Passed to	Remarks
<i>Surrey Furniture Factory</i>	<i>8 Sideboards</i>	<i>CF 6391</i>	<i>S Rly</i>	<i>F A Wells</i>	<i>Mr Ford</i>	<i>O K</i>
<i>Surrey Furniture Factory</i>	<i>1 Sideboard</i>	<i>CFP 7137</i>	<i>S Rly</i>	<i>F A Wells</i>	<i>Mr Ford</i>	<i>Appro O K</i>
<i>A Brown & Co</i>	<i>3 crates China</i>	<i>CH 717</i>	<i>L M S Rly</i>	<i>A Hill</i>	<i>Mr Robson</i>	<i>O K</i>
<i>Carpets Ltd</i>	<i>1 bale Carpets</i>	<i>CP 1903</i>	<i>L M S Rly</i>	<i>F A Wells</i>	<i>Mr Ames</i>	<i>O K</i>
<i>S Levy</i>	<i>1 Lampshade</i>	<i>LS 839</i>	<i>Levy's van</i>	<i>A Hill</i>	<i>Refused</i>	<i>Damaged</i>
<i>Smith & Sons</i>	<i>1 dozen Spoons</i>	<i>SV 1290</i>	<i>Post</i>	<i>A Hill</i>	<i>Mr Hart</i>	<i>O K</i>
<i>B Holland</i>	<i>1 Grand Piano</i>	<i>PO 623</i>	<i>Holland's van</i>	<i>F A Wells</i>	<i>Mr Ross</i>	<i>Secondhand</i>
<i>B Holland</i>	<i>2 Uprights</i>	<i>PO 630</i>	<i>Holland's van</i>	<i>F A Wells</i>	<i>Mr Ross</i>	<i>O K</i>
<i>Adams & King</i>	<i>Chatterfield Saus</i>	<i>UF 901</i>	<i>G W Rly</i>	<i>F A Wells</i>	<i>Mr Hyde</i>	<i>O K</i>

PATTERN BOOK

Pattern	Supplier	Supplier's Description	Width	Cost Price per Yard	Quantity Ordered (Yards)	Order No	Date of Order	Date for Delivery	Date Received
	Jones & Jones	Silk No 378	36"	3/6	50	SK 809	30/3/31	30/5/31	31/5/31
	Jones & Jones	Silk No 391	36"	3/9	50	SK 810	30/3/31	30/5/31	31/5/31
	Smith & Mills Ltd	Silk No 3626	36"	6/-	50	SK 811	30/3/31	8/6/31	8/6/31
	Smith & Mills Ltd	Silk No 4091	36"	4/6	50	SK 812	30/3/31	8/6/31	8/6/31

Such rules are not popular with buyers, but experience has shown them to be necessary as, where they are not in operation, buyers are apt to obtain goods without issuing written orders and to check suppliers' invoices from memory, exposing the firm to the risk of loss and controversies. The existence of a receiving room also prevents incoming goods being left about in yards or entrances or falling into the hands of the wrong departments as, once the inspectors have passed a consignment, it will be their duty to clear it from the receiving room as quickly as possible and to see that it gets into the proper hands.

Advantages of Reception Control

A 'Goods Received Book,' similar to that illustrated on page 82 should be kept in the receiving room as a record of incoming consignments and of consignments the inspectors have refused to accept. In some receiving rooms a duplicate book is used for this purpose, and the top copy of each day's sheet is sent to the counting house for inspection. The buyers or their deputies may be asked to sign the Goods Received Book as a receipt for the goods passed to them.

Goods Received Book

Where goods are bought from patterns, small cuttings from the patterns should be attached to the order to the suppliers and also to the receiving room and buyer's copies. There will then be no excuse for the inspectors and buyers not checking the pattern with the goods received. It is a surprising thing that many buyers who purchase large quantities of goods from patterns or samples never trouble to have the goods checked with the pattern. The patterns are often mislaid or thrown away long before the goods are received.

Patterns

In many businesses dealing in piece goods a 'Pattern Book,' similar to that illustrated on page 83 is kept, in which all purchases are recorded, with cuttings from the patterns stuck alongside. This book shows the buyer what he has bought and enables him to avoid duplication of patterns, and it afterwards acts as an index to the stock. It is not, however, recommended for use as a check on incoming goods as one cannot rely upon inspectors taking the trouble to refer to it.

It is customary to make the checking of invoices the joint responsibility of three persons in different departments, i.e. the buyer, the receiving room inspector, and the counting house clerk.

appointed to the task. A rubber stamp impression similar to that below is made on the invoice and they all have to sign in the spaces provided.

The buyer's responsibility is mainly in connection with prices and quantities, the receiving room inspector's with quantities and condition, and the counting house clerk's with calculations and extensions, but they are expected to take a broad view of their responsibilities. If a copy of the Goods Received Book is sent to the counting house daily, the clerk who checks the invoices will be expected to trace the entry of the goods before he signs the invoices.

Checking
Suppliers
Invoices

INVOICE CHECKED	
Buyer	<i>H. Robinson</i>
Receiving Room	<i>F. A. Wells</i>
Counting House	<i>B. Fisher</i>
Order No <i>CFO 6931</i>	Requisition No <i>CFR 1073</i>

Where the Order Form illustrated on page 79 is used, it is a rule strictly enforced that before the duplicate, triplicate and quadruplicate copies are filed away in the receiving room, counting house and buyer's office respectively, both the Goods Received and Invoice Passed sections at the foot of the order form must be completed by the persons responsible for it in those departments.

A Triple
Check

It will be understood that with this system the duplicates pending (not yet filed away) in the receiving room represent goods not yet received, the triplicates pending in the counting house represent commitments for which invoices have not yet been entered, and the quadruplicates pending in the buyer's office represent orders not yet executed by suppliers.

The buyer may also keep a large diary showing the deliveries due from suppliers each day, so that attention will be drawn to late deliveries and pressure applied to the suppliers. When goods ordered for special displays or events are not delivered by the appointed day, the

Late
Deliveries

order will probably be cancelled in writing and the receiving room instructed to refuse delivery. In that case the counting house must also be advised to cancel their copy of the order.

Immediately goods are released to the buyer he must fix a selling price for them, arrange for them to be suitably marked, and give instructions for their disposal. In large businesses he will do this by making out a Selling Instructions Form similar to that illustrated on page 87. This is prepared in triplicate: the original to go with the goods to the stock keeper, or in the case of a special order to the salesman who has requisitioned them; the duplicate to go to the counting house with the supplier's invoice; and the triplicate to remain in the buyer's office. The illustration covers a stock purchase and therefore the instruction for reserve stock is given. With a special purchase the name and address of the customer would be given on the selling instructions. This information will be obtained by reference to the requisition for the goods.

The selling instructions give the total amount which the goods should fetch at selling prices. In many department stores the buyers are charged on Stock Control Accounts with their stock at selling prices, a system which is explained in Chapter VI. Where this system is in operation the counting house obtains the selling price figures from its copy of the selling instructions.

In some businesses, as an alternative to the use of a Selling Instructions Form, the buyers mark the selling prices and write the disposal and marking instructions on the suppliers' invoices, but this practice is not recommended, as it delays the passing of invoices to the counting house, disfigures them, and may give rise to misunderstandings and mistakes. Furthermore, it does not provide the buyer with a copy of the instructions he has given.

The fixing of selling prices is dealt with in Chapter VII.

It will be noticed that on the selling instructions the cost prices have been given in a code, the use of which will be explained later. The number included in the marking instructions is the stock number, which enables the goods to be identified with the stock record.

When the buyer has made out the selling instructions, he will hand them to the assistant responsible for marking goods. The marking of the goods is carried out by affixing tickets which

SELLING INSTRUCTIONS

CFS 424

From Cabinet Furniture Department

Date 19th May, 1931

To Storekeeper, Mr S Ford

Stock No 991

Please receive the following goods—

Order No CFO 6391

For Reserve Stock

Requisition No CFR 1073

Quantity	Size	Description	Price per each		Total	
			Cost	Selling	Cost	Selling
8	4 ft	Sideboards in Oak Model S 375	M DE N	£8 8s	TT DO N	£67 4s

Marking Instructions —

4 ft Sideboard in Solid Oak
£8 8s M/DE/N 991

Marked by H Perry

H Robinson
Buyer

may be sewn, pinned, stuck, or tied on, according to the nature of the goods. Every article should be marked before it goes into stock or is placed at the salesman's disposal. This is the rule in nearly all large shops, and in some cases, the marking is done in the receiving room, machines being used for printing and affixing the tickets.

Marking
Incoming
Goods

Every article should be marked before it goes into stock or is placed at the salesman's disposal. This is the rule in nearly all large shops, and in some cases, the marking is done in the receiving room, machines being used for printing and affixing the

The ticket below has been made out from the selling instructions on page 87.

The cost price has in this case been marked on the price ticket, in code. This is not always desirable or necessary, but in some businesses it is a great convenience. At stocktaking times, the fact that the cost price is marked on the goods enables the value at cost to be entered as the goods are listed and saves a great deal of inquiry.

Price
Codes

businesses it is a great convenience. At stocktaking times, the fact that the cost price is marked on the goods enables the value at cost to be entered as the

goods are listed and saves a great deal of inquiry.

When privileged customers are supplied on a cost-plus-percentage basis or transfers are continually being made to other departments, it is a very great advantage to have the cost prices marked on the tickets.

The invention of the price code itself calls for some ingenuity. A simple and effective code can be arranged by taking a word of eleven letters, all of which must be different, e.g. WESTMORLAND, and using the first ten letters for

○		
UNION FURNISHING STORES, LTD		
<i>4 ft Sideboard in solid Oak</i>		
£8	8s	-
<i>M/DEN</i>		<i>991</i>

the figures 1 to 0 and the last letter for a 1 that represents 10s or 10d. This code has been used on the price ticket on this page, "M/DEN" standing for £5 12s. The use of the eleventh letter is essential, because if only ten letters were used, certain prices might be disclosed. For example, the approximate price of an article marked "W/WS/T" would be obvious to an observant customer, as the second 'W' could not mean anything else but "1" and the pounds figure must therefore be 1.

In some shops the stock numbers also form part of a code, by means of which the goods are classified and described. For example,

in a carpet department, the last figure in all stock numbers may indicate the type of carpet—

1 for Axminster	6 for Moquette
2 for Wilton	7 for Indian
3 for Saxony	8 for Mosul
4 for Hair	9 for Persian
5 for Chenille	0 for all others

Going further into detail, the last number but one, or 'tens figure, may identify the supplier. This enables the goods of the nine principal suppliers in each classification to be identified, "0" in this case standing for 'other suppliers' Stock Number Codes

The remaining numbers, hundreds and over, will be used to identify the particular line of the supplier in the stock or pattern book, so that in the number "2391," "1" indicates the section of the stock to which the article belongs, "9" indicates the supplier, and "23" indicates the particular line of the suppliers.

In department stores the stock numbers may be prefixed by letters indicating the name of the department, e.g. "CD" for "Carpet Department." A little ingenuity applied in this way will turn meaningless stock numbers into valuable descriptions.

When the buyer's assistant has carried out the marking instructions, he will arrange for the goods to be disposed of in accordance with the selling instructions, and this will complete the purchases routine.

The system described above is designed to ensure the methodical handling and recording of purchasing operations, to give full protection against collusion between employees and suppliers and to localize responsibility and errors. If any of the safeguards described are considered unnecessary in a particular business, they can be dispensed with at a saving of the time and labour involved. Adaptation of the System

The "human element" has always to be considered in such matters but, unfortunately, in a business with many departments, the systems usually have to be designed to meet the most unsatisfactory conditions existing. For the sake of uniformity, the conscientious departments have to be subject to the same systems as the careless departments.

The preparation of the selling instructions is the crucial point in the above system, as these instructions, and the marking carried

out as a result, turn incoming goods into saleable merchandise. It is therefore vitally important for these selling instructions to be given immediately the goods are received, otherwise there will be delay in putting new goods on show, replenishing stocks, and placing goods specially ordered for customers at the salesman's disposal, all of which means lost business as well as congestion in the receiving room.

There should always be someone on duty in the buyer's office to deal with these and other urgent matters, and it follows that the buyer should appoint one or more of his assistants to act as deputy for him when he is absent or otherwise engaged. Some buyers are prone to keep their work "under their hats" and allow no one to act for them, probably with the idea of making themselves indispensable. This attitude should be discouraged by the management, as it leads to inefficiency and to chaos if a buyer is compelled to stay away unexpectedly through illness or accident.

The counting house can tell whether or not a buyer is giving prompt attention to the preparation of selling instructions because it receives a copy of these instructions with the supplier's invoice and can see how much time has elapsed since the arrival of the goods. The counting house is anxious to get the invoices as quickly as possible in order to record the purchases and to arrange for prompt payment of those invoices on which specially attractive discounts are obtainable, or in respect of which specific promises of payment have been made. The terms of payment and discounts agreed between the buyer and the suppliers are noted on all copies of the orders.

The "cash" discounts which a retailer may earn by paying promptly for goods purchased are an important source of extra profit, and, where there is ample working capital available, the buyers should be pressed to bargain for special terms. Prepayment of suppliers' accounts at a discount, is a lucrative investment, for example, if payment 14 days before the usual time brings an extra $1\frac{1}{2}$ per cent discount, this is equivalent to interest at approximately 3 per cent per annum.

There is the further point that the buyer who is in a position to arrange for prompt payment, where there is an advantage to be gained, is likely to have first consideration when suppliers have special "bargains" to offer.

In certain circumstances a supplier receiving an order will send a *pro forma* invoice and ask for payment before sending the goods. If this is agreeable to the buyer he will submit to the proper authority a requisition for a cheque. The counting house will treat such payments as advances to the supplier and hold the documents in suspense until the goods have been delivered and the fully checked and certified invoice comes through in the ordinary way. They will not credit the *pro forma* invoice to the supplier's account as this might lead to duplication i.e. both the *pro forma* and certified invoice might be credited to the supplier.

Pro Forma
Purchases

A similar procedure will be adopted in the case of Cash on Delivery purchases except that the cheque will be retained in the counting house until the goods arrive and will be handed to the supplier or his agent by a counting house clerk after the inspectors have examined and passed the goods.

Where goods are purchased from foreign suppliers the question of foreign currency exchange must be considered in view of possible fluctuations between the time of placing the order and that of paying the account. Differences of exchange may move against the buyer or in his favour causing him to pay more or less for the goods but such differences are inconvenient and should be avoided.

Purchases in
Foreign
Currency

The best plan is for the buyer to fix a rate of exchange with the supplier at the time of placing the order so that the buyer is practically buying in sterling and knows exactly what the goods will cost. If the supplier is not agreeable to this a forward exchange contract may be arranged with a bank. Under such a contract the bank agrees to supply a certain sum in foreign money on a certain future date in return for a certain amount in sterling so that the retailer knows just how much he will have to pay.

As goods obtained on approbation are not thereby purchased the ordinary order form must not be used for them. A special

appro form for this purpose is illustrated on page

92. Copies of the Appro Order Form are circu-

Goods
Obtained
On Appro

lated in the same way as an Order Form—original to supplier duplicate to receiving room triplicate to

counting house and quadruplicate to stay in the buyer's office. To prevent confusion copies of appro orders should be printed on

APPROBATION ORDER

UNION FURNISHING STORES LTD

371-393 High Street Redhill

APPRO(Duplicate for
Receiving Room)

No CFP 7137

Date 12th May 1931

To

*The Surrey Furniture Factory Ltd
New Road Dorking*

Please supply on approbation—

Quantity	Size	Description	Price per each	Total
1	5 ft	Sideboard in Oak Model S 801	£6 18s	£6 18s

Deliver to *above address*

Date for delivery 18th May 1931

The above goods will be returned or ordered on or before
18th June 1931

For and on behalf of

UNION FURNISHING STORES LTD

*H Robinson
Buyer*

Requisition	Goods Received	Appro Note Passed
No CFR 1074	Date 18/5/31	Date 19/5/31
Dept Mr Ford	Remarks OK F A Wells Inspector	Remarks OK F A Wells Inspector

paper of a different colour from that used for copies of orders. The suppliers will be asked to send appro notes with the goods giving the same information as invoices.

The receiving room is not concerned with the terms on which goods are obtained and will therefore treat appros in the same way as orders and suppliers appro notes in the same way as suppliers invoices but appro goods should be noted as such in the Goods Received Book.

The buyer will issue his selling instructions in the usual way but all copies of the instruction form should be marked appro goods or where appro transactions are common special forms headed Selling Instructions (Appro Goods) and printed on paper of a distinctive colour should be used for them.

Such distinctions are necessary because appro goods must be readily identifiable as such to anyone in the know and must therefore be specially marked by using tickets of a distinctive colour or design.

Identification
of Appro
Goods

The buyer will check and sign the supplier's appro note and then send it to the counting house where it will be matched with the triplicate appro order and held pending information as to whether the goods will be ordered and paid for or returned to the supplier. The quadruplicate copies of the appro orders outstanding will be held in the buyer's office as a record of appro goods on hand.

In some businesses the counting house takes no interest at all in appros and the supplier's appro note is left with the buyer but this is inadvisable as the house is responsible for the goods and the buyer's handling of them should therefore be subject to supervision.

Appro goods still belong to the supplier and must therefore be excluded or listed separately at stocktaking times and sales made from them must be specially reported to the buyer who will note such sales on his copies of the appro forms and send the supplier an order for the goods sold marked Sold from appro on all copies.

It will be noticed that the Appro Form on page 92 gives a definite date by which the goods will either be returned to the supplier or ordered from him. This date is necessary to regularize the transaction but it can of course be extended by arrangement.

with the supplier. When the date arrives and the supplier asks for a decision, the buyer will find out from his copy of the Appro Form whether any of the goods have been sold, will send

Settlement
for "Appro"
Goods

someone to verify the quantity shown as still on hand, and will decide whether or not he wishes to keep them.

He will then send the supplier an order, marked "kept from appro" on all copies, for any goods which he wishes to take into stock, and will either return the balance or arrange to extend the period of approbation. Goods obtained "on appro" should not be retained indefinitely as there is danger of their becoming shop-soled, in which case the supplier will expect the retailer to purchase them. It is better to return goods which do not find a purchaser within a reasonable period and obtain fresh goods.

Suppliers' invoices for goods sold or kept "from appro" will be sanctioned by the buyer, and will then go to the counting house to be marked off the appro notes held there and credited to the suppliers' accounts. The receiving room is not interested in them.

Goods returned to a supplier for any reason should be accompanied or preceded by a proper Returns Note giving full particulars

Returns to
Suppliers

of the goods, of their value and of the reason for return. A suitable form is illustrated on page 95.

The Returns Note should be prepared in triplicate, the original to go to the supplier with the goods or in advance of them, the duplicate to go to the counting house and the triplicate to remain in the buyer's office.

If the counting house has charged the buyer with his stock at the selling prices as shown on the selling instructions, the total value of the returned goods at selling prices should be noted on the counting house and buyer's copies of the Returns Note, so that the buyer will be given 'credit' for them on his "Stock Control Account". This figure does not concern the supplier.

If the goods are returned for credit and the supplier agrees, he will send a Credit Note, which will be checked and signed by the buyer and passed on to the counting house who will match it with their copy of the Returns Note and debit the supplier's account. If they are "appro" goods, the buying office and counting house will mark them off their copies of the appro orders.

If they are goods returned temporarily, for repair or alteration,

RETURNS NOTE

From

UNION FURNISHING STORES LTD

371-393 High Street Redhill

RETURNS NOTE

No CFT 436

Date 18th June 1931

To

*The Surrey Furniture Factory Ltd**New Road Dorking*

Please receive the following goods—

Quantity	Size	Description	Price per each	Total
1	5 ft	Sideboard in Oak Model S 801	£6 18s	£6 18s

For

Returned from appro (CFT 7137)

Kindly acknowledge receipt at once

For and on behalf of

UNION FURNISHING STORES LTD

H Robinson
Buyer

the duplicate and triplicate of the Returns Note will be held in the counting house and buyer's office respectively until such time as the supplier returns the goods when the receiving room will advise the buyer and counting house of their arrival

It is vitally important for returns to suppliers and redeliveries by them to be recorded in this way and to be closely watched as

the misuse or non use of Returns Notes offers considerable scope for dishonesty and controversy In some businesses Appro Orders and Returns Notes in respect of appro or other goods are made no charge but this practice is not recommended as the passing of goods in and out on no charge memos is a loophole for dishonesty and makes it difficult for the counting house to follow the transactions and keep their records in order

The purchases routine described in this chapter enables the counting house to watch the buyer's operations from day to day and by the co-operation of the receiving room to stop any irregular transaction

Control
of Buying

This co-operation between the counting house and receiving room may also be used to enforce any limitations upon the buyer's powers either in regard to the quantities he shall buy or the suppliers with whom he shall deal For example in some businesses buyers orders to suppliers must be countersigned by a principal who scrutinizes them and also signs the receiving room and counting house copies If the principal refuses to sign a particular order the receiving room will not take in the goods and the counting house will not accept the invoice

In other cases the buyer is given a free hand to buy what he likes up to a certain limit for each month For example he may

be allowed to buy goods to the value at cost prices
Sanctions of £500 for February £600 for March and £800 for April These amounts are spoken of as sanctions

or allocations and will be based on the anticipated sales for the month in question reduced to a cost basis by the deduction of the average rate of gross profit for the department For example if a buyer making $33\frac{1}{3}$ per cent gross profit on his sales is expected to make sales amounting to £1200 in April he must be allowed to spend £800 on stock Regard must also be paid to the buyer's existing volume of stock and if he is under instructions to reduce

RECORD OF BUYER'S COMMITMENTS (MERCHANDISE OFFICE)

RECORD OF COMMITMENTS

Department *Pianos*

Buyer

Mr K Morris

Month	January	February	March	April	May	June
Sanction Supple- ment	£1 000 £200	£500	£600 £50	£800	£600	£600
Total	£1,200	£500	£650	£	£	£
Orders Passed	Order No PO/107 108 109 112 113 114 115 116 £ s d 89 4 - 171 12 6 34 2 - 127 - - 63 2 10 175 8 - 405 18 6 126 3 -	Order No PO/110 111 117 119 128 £ s d 76 5 - 48 2 - 184 6 6 110 - - 38 7 -	Order No PO/118 123 124 £ s d 105 - - 76 4 - 84 7 6	Order No PO/120 125 £ 263 38	Order No PO/121 £ s d 171 4 -	Order No PO/126 £ 126
Total	£1 192 10 10	£457 0 6				

or increase his stocks his sanctions must be reduced or increased accordingly

Where such sanctions are in operation, the buyer's orders are countersigned by a principal or counting house official, who satisfies himself that the buyer is "open to buy" the particular amount for the particular month's delivery before he signs any order. To facilitate this, the counting house, or a "merchandise office," established for the purpose, keeps a record of "Commitments" similar to that illustrated on page 97, and marks off the amount of each order passed against the "sanction" for the month of delivery.

Every week the merchandise office sends an "Open to Buy" Statement to each buyer, showing the amount he is still free to spend for each of the months in respect of which sanctions have been fixed. A specimen "Open to Buy" Statement is given on page 99.

The sanctions are usually fixed six months ahead, but at the beginning of each month a "supplement" may be added to the sanction. In deciding the amount of this supplement the management will take into account recent fluctuations in the buyer's stocks and sales, any special advertising or displays that may be devoted to his goods, and any balance that he may have left over from the previous month's sanction. In exceptional cases a buyer's sanction may be curtailed instead of supplemented.

The need for such a system of buying control is obvious in the case of department stores where there may be a hundred or more buyers. If they were all given a free hand to buy as much as they liked it would be impossible to arrange the finances of the business. The sanction system enables the management to limit the commitments of the business as a whole, and to spread this limit over the departments in a way that will be to the best advantage. The buyer's objective will be to keep as close as possible to the amount of his sanctions as he knows that they are a measure of his efficiency. If he finds difficulty in keeping within his sanctions, it means that he is over-buying or buying the wrong goods, and, if he is not spending the whole of his sanctions it means that he is not making the most of his opportunities.

The buying control system should not be allowed to delay the

OPEN TO BUY STATEMENT

Department *Pianos* Date *14th March 1931*
 Buyer *Mr K Morris*

Month	March	April	May	June	July	August
Sanction	£ 600	£ 800	£ 600	£ 600	£ 400	£ 400
Supplement	50					
Total	650					
Orders issued to date	266	301	171	126		
Open to buy	£ 384	£ 499	£ 429	£ 474	£ 400	£ 400

Remarks

H Hughes
 Merchandise Manager

issuing of orders to suppliers as this might result in the loss of business. One cannot always rely on principals, directors, or counting house officials giving immediate attention to the passing of orders and for this reason most department stores establish a 'merchandise office' and appoint a 'merchandise manager' specially to deal with the work.

CHAPTER VI

STOCK KEEPING

It is hardly possible to over estimate the importance of efficient stock keeping to a retail business. Efficiency in selling efficiency in buying and net profits are all affected to a very considerable extent by efficiency in stock keeping.

The salesmen require an adequate supply of every line close at hand and in fit condition for presentation and sale to the customers. The buyer wishes to turn over his stocks as rapidly as possible in order to be in a position to buy fresh stock continually and he also wishes the work of stock replenishment to be as automatic as possible. The management expects the stocks to be properly recorded and precautions taken against all risks of loss, damage or depreciation.

There are therefore four chief objectives in planning a stock system—convenient arrangement, systematic replenishment, careful preservation and proper recording.

In planning the arrangement of stocks, the nature of the goods and any special treatment they need must be the first consideration.

Most merchandise has display value, both individual and collective, that is to say, individual lines displayed make their own appeals to the customers and sell themselves. Stock
Arrangement and the collective appeal of a large and well assorted stock is a great attraction to customers. On the other hand, most merchandise suffers from exposure and in a shop or showroom it may be exposed to dust, damp, sun, rats, mice, moths and other pests, mauling by customers, kicks, knocks from brooms and passing goods and many other risks.

Stock arrangement is therefore a compromise between display and preservation and in most cases the problem is solved by giving each department a showroom designed to provide suitable conditions for displaying and selling the goods and a stockroom designed to provide suitable conditions for the storage of goods. This arrangement has the advantage of economizing the more valuable showroom space and using less valuable space in odd corners or adjacent buildings for stockrooms.

The stock in the shop or showroom, which may be called the "forward," "service," or "displayed" stock, will be arranged with an eye to saleability, which necessitates convenience to the salesmen and display to the customers

Forward
Stocks

Every line in stock should be represented in the showroom, so that salesmen do not have to keep customers waiting while they go to the stockroom, and the quantity in the showroom should be more than sufficient to cover the day's business, in order that it does not have to be replenished during busy hours. It is a common practice to keep in the showroom at least sufficient stock of each line to cover two days' sales, and to replenish this every morning by bringing forward from the stockroom sufficient of each line to make good the previous day's sales. When this practice is followed there is little fear of running out of stock during the day.

The modern idea of shop arrangement, which came to us from the United States, is to make the shop a showroom and have all goods visible to the customer. In some trades, it is possible to go further and arrange the stock in such a way that the customers can examine the goods and make their choice without having to explain their requirements to a salesman.

Exposed
Stocks

Except in the case of goods which would be damaged by handling, there is a great deal to be gained by such an arrangement, as it makes for quicker service and pleases the working-class type of customer who is apt to be irritated or embarrassed by the attentions of a salesman.

In such shops, the salesmen will be chiefly engaged in wrapping goods for customers and taking the money for them, and it will be necessary to take precautions against customers helping themselves without paying, by providing an adequate staff of salesmen and supervisors, or detectives dressed as shoppers. Shoplifting, both amateur and professional, is becoming more and more common, and it is important to leave no goods lying in hidden corners. Where goods are exposed on tables, the tables should be as low as possible and the goods should only be heaped when the tables are against walls. This will enable customers to be observed from a distance. Another method of checking shoplifting is to use mirrors

Precautions
Against
Shoplifting

freely in fitting up the shop as, in this case, a shoplifter can never be certain that she is unobserved

Where goods are exposed for customers to make their own selection, the prices must be obvious and it follows that this arrangement is only suitable for goods which are sold at attractive prices. With many articles of superior quality, the difference between the apparent value and the selling price must be bridged by salesmanship and demonstration and it is better to put them away in showcases and let the salesman introduce them to the customers in an appropriate manner. This fact, and the fact that better class goods are often more delicate, makes the exposure of forward stocks unsuited to better class business.

Arrangement
for Better
Class Trade

In this better class business, the salesman must be able to produce goods to suit the individual customer's requirements, and he must have time for sales persuasion and demonstration, therefore, the stock must be so arranged that he can put his hand at once on the exact goods he wishes to show the customer, without walking far or having to move other goods.

Careful consideration should be given to the positions allotted to the various lines. Goods most frequently called for should be in the most convenient positions, goods that have the most display value should be in the most prominent positions and goods that are associated in any way should be close together.

Grouping
the Lines

To facilitate demonstration and save walking about the goods should be grouped to meet the requirements of individual customers, for example, articles of clothing stocked in various sizes should be grouped in sizes and arranged systematically according to price, so that the salesman can take the customer to the stock of her size and work up or down the price range according to the circumstances, without showing the customer an article that is not her size or that is not the price which the salesman has in mind.

If the stock covers a very wide price range it may be advisable to divide it into sections so as to separate the inexpensive goods from the high class and to keep high class customers away from goods and customers which they might regard as 'common'. Many stores have separate departments for the cheaper goods, i.e. "inexpensive millinery," "inexpensive dresses," etc.

In laying out space for forward stocks, care must be taken to leave plenty of room for customers, salesmen and passers-by, and plenty of flat surfaces—tops of counters, tables, etc—for any demonstration measuring cutting, or packing that has to be done. Salesmen should not be allowed to leave stock on these 'working' surfaces, as this leads to confusion and to stock being damaged through having other stock dumped on top of it.

**Avoid
Overcrowding**

Shelves and partitions should be used to divide stocks, and to make it unnecessary to put stock on top of or in front of any other line. It is a great waste of time to have to move one line to get at another, and pulling goods from underneath or behind others often leads to damage and breakage. Wherever possible, such fixtures and fittings as shelves, partitions and showcases should be movable to permit of readjustment to meet changed conditions. In many shops, service is hindered by cumbersome fixtures and fittings that have become obsolete through changes in the nature of the stock carried.

The reserve or 'bulk' stocks should be packed away in a stockroom designed to protect the goods from any risks to which they may be subject. It is a curious fact that many retailers pay no attention whatever to their stockrooms and leave the disposal of reserve stocks to porters or juniors who dump them in any odd corner, without a thought to its suitability. In these circumstances, the goods are often exposed to far greater risks in the stockrooms than they are in the showrooms and they are shop-soiled before they reach the shop. There is also great danger of stock being mislaid and forgotten until it is unsaleable. The reserve stocks should be arranged just as systematically as the forward stocks so that there is a proper place for everything and no time is lost in the work of replenishing forward stocks.

**Reserve
Stocks**

Shelves and partitions should be used in the same way as with forward stocks and, if the stockrooms are extensive the storage spaces should be numbered and an index should be drawn up, showing the location of the reserve stock of every line.

Reserve stocks are usually kept in the containers or packings in which they have arrived from the suppliers as these keep them clean and protect them from damage. If this is the case, working

spaces or tables, on which goods can be unpacked and prepared for sale before being taken into the showrooms, and "waste bins" for the paper, shavings, cardboard, string, etc., should be provided in the stockroom. Unless this is done, ^{Unpacking Goods} the stockroom floors are likely to be littered with rubbish, and the staff may even unpack goods in the showrooms and litter them with rubbish.

The first step towards ensuring proper care being taken of both forward and reserve stocks is to define the responsibility for them. The stocks should be divided into sections of convenient size, and every section should be the responsibility of one individual, who must see that it ^{Stock Preservation Responsibility} is kept in good condition. The responsibility for the showroom stock may be divided amongst the salesmen, each salesman being made responsible for the section nearest to his "station." The salesmen may also be made responsible for the reserve stocks of their sections, or, if a stock keeper is employed, he may be made responsible for the reserve stocks.

This responsibility should only be given to persons who have sufficient knowledge of the goods to know how they should be handled and stored, and sufficient authority to assert themselves in protecting the stocks. It is absurd to ^{No Responsibility Without Authority} give this responsibility to an ignorant junior or an unskilled stock keeper, who knows little or nothing of the goods and cannot be expected to stop senior men from muddling or ill-using the stocks.

Supervision of the condition of stocks calls for observation and foresight rather than time and labour, and is sufficiently important to merit the attention of the senior salesmen, who should appreciate the fact that it is greatly in their own interests to keep their stocks in good condition.

From the viewpoint of the manager or buyer, preservation of stock means less waste and fewer sacrifices of gross profit on shop-soiled goods, so that it is up to him to see that the salesmen look after their stocks, to keep an eye on the stockrooms and any sections that are likely to be neglected, and to make general rules for the protection of the stocks.

These rules will provide for goods of a delicate nature to be wrapped and put away or covered at night and during cleaning.

operations They should also forbid the placing of goods near machinery, boilers, fires, or work benches where they would be in danger of damage, and employees should be warned not to take meals or refreshments near the stock. The use of ink may also be forbidden, as it is a source of damage.

**Rules for
Protection
of Stocks**

Another rule which is necessary in most showrooms and stock-rooms is to keep all merchandise off the floor, out of the way of dirt, kicks, brooms, vacuum cleaners, spilled liquids, and damp. The bottom shelf of a tier or cupboard should be at least 6 in. off the floor, and low wooden platforms should be placed under piles of merchandise.

The use of brooms for sweeping is objectionable, as however carefully they are used, dust is bound to be raised and this penetrates into showcases, cupboards and packages. Even in the stock-rooms a powerful vacuum cleaner is preferable.

The rules for stock preservation should also cover the action to be taken in the event of a salesman discovering a damaged article in his stock. It is important for damaged goods to be removed from show at once as it will create a bad impression of the shop if a prospective customer notices the damage, or give rise to a complaint if the goods are sold in a damaged condition.

**Marking
Goods
Requiring
Attention**

In many shops, special labels are provided for damaged goods. These labels are large and of a distinctive colour, and carry the wording "For attention" or "Not for sale" with a space in which the salesman who notices the damage writes brief particulars as an indication of the work to be done. If these labels are affixed immediately damage is noticed, there will be no fear of damaged goods being shown to a customer.

Light articles labelled as damaged should be sent straight to the buyer's office for his inspection. Heavy articles should be hidden from view as far as possible, and a note should be sent to the buyer reporting the damage. The buyer should arrange for damaged goods to be repaired as quickly as possible, because most damage is cumulative and goods in an unsaleable condition represent idle money which may become a dead loss.

The system of stock replenishment employed depends to a great extent upon the unit value of the articles dealt in, and the frequency

with which the forward stocks must be replenished. Where the unit values are small as in the case of the average grocer's confectioners or tobacconists replenishment of the forward stocks can easily be arranged by setting aside ^{Stock} ^{Replenishment} for each line a space drawer or other container which in the case of quick selling lines must be filled every morning in preparation for the day's business. The person entrusted with the task of replenishment will merely have to look round the fixtures and bring out the required goods from the stockroom. The replenishment of the slow moving lines may be left until they are obviously running low.

The same visible system may be employed in the stockroom where if a partitioned space is set aside for each line it will be obvious when stocks are running low and further quantities should be ordered from suppliers.

With goods of a substantial unit value e.g. ladies' costumes, coats, etc. the forward stocks may be replenished by reference to the carbon copies of the salesmen's sales checks which show the goods that have been sold and must therefore ^{Replacing} ^{Sold Goods} be replaced. When the day's sales are summarized in the buyer's office for the purpose of preparing an analysis of sales a list of the goods sold can be prepared and sent to the stock keeper as a requisition for similar goods to be sent forward into the showrooms.

As an alternative to this the price tickets may be detached from all sold goods and sent to the stock keeper as requisitions for similar goods to replace them. This method is specially suited to a business in which the forward stocks are very limited and must be replenished immediately goods are sold in order not to risk losing business.

When heavy goods are being sold fairly quickly as in the furniture and hardware trades the showroom stock may be treated as samples and the orders executed out of reserve stock in which case the salesman will send the delivery instructions to the stockroom and the goods will go direct from the stockroom to the dispatch department.

Where valuable goods are kept in reserve stocks it is essential to maintain a unit stock record or perpetual inventory which will show the movements of each ^{Stock} ^{Records} line in and out and the balance at any time.

UNIT STOCK RECORD

Description		4 ft Sideboard in Solid Oak		Manufacturer's No		5375		Stock No		991	
Maximum Stock		12		Location		Second Floor, Bay 12		Selling Price		£8 8s	
Minimum Stock		4		Physical Checks		12/5/31		Cost Price		M/DE/N	
REQUISITIONS				In		OUT		BALANCE			
				Goods Received		Sales					
Date	Req No	Quantity	Date	Order No	Quantity	Date	Check No	Quantity	B/fwd	g	
1931			1931			1931 May 4	DRF 947	1	8		
						May 5	918	1	7		
						6	784	1	6		
						8	952	1	5		
						11	796	1	4		
						13	800	1	3		
						13	961	1	2		
						20	958	1	10		
May 11	CFR 1073	8	May 19	CFO 6391	8				9		

A suitable form of Unit Stock Record for this purpose is illustrated on page 108. In practice a loose leaf book or card index is used with a separate sheet or card for each line. The sheets or cards may be arranged alphabetically under the names of the lines or numerically under the stock numbers whichever will be the most convenient for reference.

Goods received from suppliers and any goods in new condition returned by customers are debited in and goods sold with any goods returned to suppliers are credited out. A new balance figure representing the stock on hand is entered after every movement of stock is recorded.

The Requisitions columns do not form part of the debit and credit account as they are merely a memorandum intended to show what the stock keeper has requisitioned. If a stock keeper makes the common mistake of duplicating a requisition for stock running low these columns will draw attention to the duplication.

It will be noticed that the actual stock has been checked on the 12th of May and the fact recorded on the heading. Where running stock records are kept it is a good plan to check some of the balances with the actual goods at frequent intervals and this can most conveniently be done just after a requisition has been received as the stock will then be at its lowest.

The Unit Stock Record may be kept either by a clerk in the buyer's office or by the stock keeper and it may either be confined to the reserve stock or cover both forward and reserve stocks. Where both forward and reserve stocks are kept in the same building and under the same control it will probably be advantageous to include both forward and reserve stocks in the stock record figures without distinction and to have the record kept by a clerk in the buyer's office. Where however reserve stocks are housed in separate buildings or come under the control of an executive other than the manager or buyer of the selling department it may be advisable to keep separate records for forward and reserve stocks and the reserve stock record may be kept by the stock keeper.

The heading of the Unit Stock Record on page 108 gives maximum and minimum stock limits for the line and it will be seen that on the 12th May when the stock had fallen to the minimum of 4 the stock keeper requisitioned 8 in order to bring the stock up to the

maximum figure of 12. This illustrates the working of these maximum and minimum stock limits which are exceedingly useful in shops where a large number of trading lines are regularly stocked.

Maximum and Minimum Stock Limits The system works almost automatically and has the effect of keeping the stocks within the limits fixed by the buyer preventing overstocking or running out of stock. Where the stock record is kept in the buyer's office there will be a double check on running short as the stock keeper will be expected to watch the actual stocks in relation to the minimum stock figures given to him and the clerk who keeps the record will be expected to keep an eye on the relation between the minimum limits and the balances shown on his accounts.

Every time replenishments are requisitioned the maximum and minimum stock limits are quoted on the requisition (see page 78, so that the buyer can reconsider and revise them if necessary and alter the quantity requisitioned in order to give effect to his revision.

Where a unit stock record is kept and its accuracy is proved by frequent physical checks it will be valuable as a basis for the preparation of stock lists at stocktaking times. The **Stocktaking** stock lists may be made out by extracting the descriptions and balances from the stock record cards and checking the balances with the actual stock or testing some of them. This will give far more accurate results than where the stocktakers have no basis to work on or have to use the previous year's sheets.

Where there is no unit stock record and the stock lists have to be made out from the actual goods it will be best for each salesman or stock keeper to prepare a list of the stocks for which he is responsible and for a counting house official or other responsible person not connected with the department to check the lists with the actual stock. It will save time if the salesmen prepare their lists in advance leaving the quantities to be filled in on the day of stocktaking. The salesmen and the officials checking the stock can then go round together and fill in the quantities.

Where the stock consists mainly of regular trading lines and the stock is frequently taken it will be worth while to have lists of the lines printed ready for the quantities to be filled in.

Although stocktaking entails a considerable amount of work and inconvenience it is a most important operation and there are considerable advantages in listing and checking the stocks frequently. For example stocktaking calls attention to surplus, out of date, mislaid or damaged stock and the more frequently the stocks are reviewed the less risk there is of loss through cumulative depreciation in value or condition.

Advantages
of Frequent
Stocktaking

Furthermore stocktaking provides evidence of the value of the stock which is imperative for accountancy and audit purposes and also for the purpose of revising the fire and other insurances on the stock or making a claim for loss or damage. A retailer would have considerable difficulty in settling an insurance claim for compensation for loss or damage to stock if he could not produce either a unit stock record or a recent stock sheet.

There is the further point that when stocktaking is frequently carried out the staff become experienced at the work and there is less fear of mistakes being made and passed.

In many retail businesses the occasional stocktaking is little more than a farce. Persons who have no qualifications for the work are pressed into service for the listing and checking (if any) and they do the work reluctantly and with no sense of responsibility while the more important executives take no interest whatever in the stocktaking. In these circumstances stocks are overlooked or counted more than once, damaged or obsolete stock is taken in at full value, goods already invoiced to customers or returned without allowance being made or purchases not yet credited to suppliers are included and even items of equipment standing on capital accounts may be listed as stock.

Staff Attitude
Towards
Stocktaking

Unless a unit stock record is kept there is a very strong argument for taking stock at the end of every month. Some of the multiple shop companies insist upon weekly stocktaking at all branches.

Branches of multiple shop companies are usually charged with their stock at selling prices and the managers do not know the cost of the goods. At stocktaking times the stock lists from the branches will show the stock at selling prices i.e. including a margin of profit which has not yet been achieved and for the purpose

of a Trading and Profit and Loss Account or Balance Sheet, the head office officials must reduce the branch stock figures to a cost basis, either by going through the items individually and revaluing them on a cost basis, or by deducting from the total value at selling prices a percentage that will eliminate all profit margins and reduce the value to a cost basis. This collective method of revaluation saves a great deal of work and time, but it is not safe if the profit margins vary very considerably between different lines, as in such cases the average gross profit made by a business is no guide to the average profit margin on the stock on hand. It will often be found that the stock left on hand consists mainly of goods on which the profit margin is above the average.

Where a number of departments or branches are charged with their stock, at either cost or selling prices, provision must be made for transfers between departments. Such transfers may be occasioned by alterations in the scope of departments or the creation of new departments, the abandonment of departments, or by branches having to apply to one another for supplies. A form of transfer suitable for such purposes is illustrated on page 113. This gives both selling and cost figures, so that the counting house can charge whichever is appropriate.

The form is also used for inter departmental charges for expenses, whether arising out of the transfer of goods or any other operation. This enables a department transferring goods to obtain credit for any money they have spent on preparing or improving them, or a department lending a salesman to another department to obtain credit for his salary. In some businesses, a department or branch called upon to transfer goods to another department or branch is allowed to charge the transferee 5 per cent "commission" on the selling value of the goods.

Transfer forms are prepared in quadruplicate by the department which desires to be credited. The original and duplicate are sent to the department which is to be debited, the triplicate is sent to the counting house and the quadruplicate is retained in the department which prepares it. If the manager of the department debited agrees the charge, he will sign the original and send it to the counting house, keeping the duplicate for his records. In the

INTER-DEPARTMENTAL TRANSFER

No IRX 6321

TRANSFER OF STOCK OR EXPENSE
(only for Inter departmental use)

Date 6th May, 1931

Debit Fancy Department

Credit Ironmongery Department

with the following

GOODS		Selling Price per each	Total
Quantity	Description		
12	Lamontex Ash Trays	<div> <div>s</div> <div>d</div> <div>2</div> <div>3</div> </div>	<div> <div>£</div> <div>s</div> <div>d</div> <div>1</div> <div>7</div> <div>-</div> </div>
Stock No 7718		Cost	- 18 9
EXPENSE			£ s d

Reason for transfer

Instructions from Managing Director

6th May, 1931

Accepted

*H Cole**John Harris*

Buyer Fancy Dept

Buyer Ironmongery Dept

ANY OBJECTION TO THIS TRANSFER MUST BE MADE TO THE
COUNTING HOUSE WITHIN THREE DAYS

counting house the original will be matched with the triplicate and used as a voucher for the necessary book keeping entries

If the manager of the department debited objects to the charge he must make his objection to the counting house within three days otherwise the counting house clerks may make their entries from the triplicate. Inter departmental transfers are often a source of controversy between the departments concerned and if left to the opposing parties to settle these controversies might drag on for years or the transfer might be forgotten entirely. It is for this reason that the counting house receives early intimation of the transfer and that a time limit is placed on objections. Any objection would be dealt with impartially by the counting house or management and settled at once.

Inter-departmental transfer forms must only be used for stock transfers when the goods are permanently transferred to a selling department in saleable condition. Where goods are temporarily loaned they can be covered by an IOU given to the transferring department by the borrowing department. (The loaning of goods for window display is dealt with in Chapter X.) Where goods are spoilt by another department e.g. the dispatch or display department they should be charged on a Waste Note.

Waste Notes are used to report the loss, breakage or destruction of any article in stock however caused. The illustration on page 115 shows the form in common use.

Waste
Notes for
Spoils or
Breakages

These Waste Notes are prepared in duplicate by the department responsible for the particular goods the original to go to the counting house and the

duplicate to remain in the department.

The counting house will reduce their valuation of the stock in the department by the value of the spoiled goods at selling price or cost according to the basis of charging. They may charge the cost of the goods to the expenses account of the department or leave the shortage to adjust itself at stocktaking time when it will operate by way of reducing the gross profits of the department. The former method is preferable as it enables such losses to be totalled and draws attention to any unreasonable volume of them.

The declaration of salvage value on the Waste Notes should be scrutinized in the counting house to see that damaged goods with any mercantile value are not thrown away or sacrificed and the

WASTE NOTE

No CHW 719

Date 7th May, 1931

From China Department

To COUNTING HOUSE

Please delete the following goods from our Stock—

Quantity	Description	Selling Price per each	Total
9	<i>Feng Chang Dinner Plates</i>	$\begin{array}{r} s \quad d \\ 1 \quad 6 \end{array}$	$\begin{array}{r} £ \quad s \quad d \\ 13 \quad 6 \end{array}$
Stock No 822		Cost	9 4

Full particulars of loss—

Broken in re-arranging stock, through clumsiness of saleswoman

Name of any individual at fault Miss G Smith

Arrangements for disposal of salvage—

Thrown away

Value of salvage

 $\begin{array}{r} £ \quad s \quad d \\ \text{nil} \end{array}$

EMPLOYEES CAUSING DAMAGE
OR LOSS OF GOODS SHOULD
BE SEVERELY REPRIMANDED BY
THEIR DEPARTMENTAL MANAGER

W H Simpson
Buyer China Department

declaration should be followed up to see that the realizable value is accounted for by the department

Where goods are spoiled by the dispatch display, premises or some other department there may be an argument as to whether the cost should be charged to the selling department which has suffered the loss or to the non selling department in whose hands the loss has occurred In the absence of special considerations it is best in such cases for the selling department to be made to bear the loss as the non selling departments handle the goods on behalf of the selling departments and have no means of recovering losses whereas the selling departments can usually provide for such losses in fixing their prices

For example a china department should provide for possible breakages in fixing the percentage of profit to be included in its prices and unless the breakages are charged to the department their cost may be overlooked

Dispatch and display costs are selling expenses which must be provided for out of the gross profits of the selling departments and if the cost of breakages and spoils were charged to the non-selling departments the effect would be to penalize the departments selling non perishable goods in favour of those selling perishable ones The idea of punishing a non selling department by charging it with damage is absurd

If a buyer finds that his goods have been damaged by negligence in another department he can of course complain to the management and ask them to take the matter up and he can quote the evidence of negligence on the Waste Note

Where damaged or repaired goods are saleable at a reduced price the adjustment should be made on an Alteration in Selling Price Instruction not on a Waste Note

If the departments are debited with their stock at selling prices—the charge being taken from the counting house copy of the selling instructions—it will be necessary for them to notify the counting house of any alteration in the selling prices either an increase or decrease from the selling price stated on the Selling Instructions

For this purpose it is customary to supply the buyers with forms similar to that illustrated on page 117 in triplicate books On these

ALTERATION IN SELLING PRICE

GRN 661

From *Gramophones Department* To *Mr Matthews*

Date *19th May 1931*

Please make the following alterations

Quantity	Stock No	Description	Old Price	New Price	Reduction per Each	Total Reduction
3	GR310	Squawks Portable	£ 2 2 -	£ 1 10 -	£ 1 2 d -	£ 3 10 d -

Reason for alteration

Reduction to clear old stock

Quantity verified *J M Matthews*

Tickets altered *M Fox*

Stock Record altered *J M Matthews*

*John Austin
Buyer*

forms the buyer gives his instructions for the selling prices to be altered—on the records and on the tickets. The original goes to the person responsible for making these alterations, the duplicate to the counting house and the triplicate remains in the buyer's office.

The counting house will scrutinize their copy, and, if it appears to be in order will debit or credit the department's stock control account with the total increase or decrease. This procedure gives the counting house the opportunity of objecting to a price change, if they consider the alteration undesirable.

Where any system of buying control is in operation it will be advisable for the management to follow the movement of the stocks from week to week. In most department stores **Stock Control Accounts** showing all movements of stocks in the various departments are kept in the counting house and from these accounts summaries are prepared for the inspection of the management.

An illustration of a Stock Control Account is given on page 119. This account is a simple debit and credit account balanced weekly, and in the example all the items are calculated on the basis of the selling prices.

All goods passing into the department from suppliers, customers, or other departments and all increases in selling prices are debited, while all goods passing out of the department to customers, suppliers, and other departments and all wastage or reductions in price, are credited. The derivation of the entries and the pages on which the forms in question are illustrated are given in the following table—

DEBITS	From	PAGE
Goods received	Selling instructions	87
Returns from customers	Credit notes	209
Transfers from other departments	Transfer notes	113
Increases in selling prices	Alteration in price instructions	117
CREDITS	From	
Sales	Sales checks	280
Returns to suppliers	Returns notes	95
Transfers to other departments	Transfer notes	113
Reductions in selling prices	Alteration in price instructions	117
Waste and breakages	Waste notes	115
Price concessions	Price concession report	145

In all entries the value at *selling prices* must be taken as this Stock Control Account is based on selling values and the balance of the account shows the stock at selling prices.

STOCK CONTROL ACCOUNT

GOWNS DEPARTMENT

Date	Item	Ref	Debit	Date	Item	Ref	Credit
1931 May 2	To Stock brought forward			1931 May 4	By Sales	SS 111	£ 21
4	Goods received	SI 37	72	5	Sales	SS 112	24
5	Goods received	38	36	6	Reductions in prices	AP 64	10
6	Return from customer	CN 87	4	7	Sales	SS 113	19
7	Goods received	SI 39	26	8	Sales	SS 114	19
8	Return from customer	CN 88	6		Sales	SS 115	15
	Goods received	SI 40	2	9	Return to supplier	RN 18	6
					Sales	SS 116	10
					Stock carried down		691 19
			£819				£819
May 9	To Stock brought down		£691 19				

Where it is considered preferable to keep the Stock Control Accounts on a cost basis the same form of account will be used, but the *cost* figures will be taken from the Selling Instructions Returns Notes, Transfer Notes, and Waste Notes and it will be necessary to reduce to a cost basis the figures taken from the Sales Checks and Credit Notes to customers for returns

The cost value of the sales made, or returns credited, will be found by deducting from the figures the average percentage of gross profit actually made by the department, on sales, as shown by the departmental trading accounts. For example if a department is known to show an average gross profit of 25 per cent of its sales, it may be estimated that the cost value of the goods sold in any normal period is 75 per cent of the sales for the period.

Where the stock is charged to the departments on a cost basis it will not, of course be necessary to record alterations in selling prices, or price concessions to customers on the Stock Control Accounts except where a concession takes the form of goods being given away.

The "Summary of Estimated Stocks" on page 121 shows the way in which the Stock Control Account figures are summarized for the use of the management. It will be noticed that the estimated stock figures arrived at are compared with the "targets" for stock, which the buyers are expected to aim at in regulating their purchases. The targets are fixed by the management with the object of limiting the amount of money invested in stocks and spreading this investment over the departments in the way that is likely to be of the greatest advantage to the business as a whole. The fixing of stock targets will be dealt with in Chapter VIII.

Where the buying is controlled by means of 'Sanctions,' the relation between a buyer's estimated stock and his target for stock, as shown by the extreme right-hand column of the Summary of Estimated Stocks, will be taken into account in fixing or supplementing his sanctions.

In department stores a great deal of importance is attached to the relation between the volume of sales and the average stock of a department, or the "stock turn," as it is called. If a department has made sales amounting to £40 000 in a year, and its

SUMMARY OF ESTIMATED STOCKS AT SELLING PRICES

Week Ending 9th May 1931

Department	Stock at and May 1931	Goods Received	Returns and Transfers Inwards	In crease in Price	Total Debit	Sales	Returns and Transfers Outwards	Price Reductions, Concessions and Waste	Total Credit	Stock at 9th May 1931	Target for Stock	Surplus or Deficiency
Gowns	£ 672	£ 137	£ 10	£	£ 819	£ 110	£ 6	£ 11	£ 337	£ 692	£ 700	£ 8
Costumes	358	64			372	44			44	328	200	128
Coats	484	48	6		538	28			28	510	500	70
Tails	940	70	20		1 030	72		14	86	944	800	144
Millinery	272	104	14		390	116		10	126	264	00	64
Silks	684	56			740	62		8	70	670	600	70
Woolens	330	32			362	40	8		48	314	300	14
Hosiery	418	80			498	46			46	452	500	48
Haberdashery	252	20			272	24			24	248	200	48
Undies	468	48			516	54			54	462	500	38
Total	£4 828	£659	£50		£5 537	£596	£14	£43	£633	£4 884	£4 500	£384

average stock, at selling prices, during the year has been £10,000, it is said to have a stock turn of 4. The suggestion is that the department turns its stock over four times a year, although, of course, this is an average figure, and there may be some lines in the department bought and sold out weekly and others hanging fire for years.

In order to lessen the confusing effect of this averaging, some stores divide each department into a number of sections for the purpose of calculating stock turns, taking care to put quick-moving goods in different sections from slow moving goods.

Stock turn figures are, however, most valuable for purposes of comparison between different periods, and the scope of the figures is not, therefore, so important as the need for them to be comparative. Although the stock turn figure of a department for a particular year may not disclose dead stock, the figures over a period of years will show accumulations of dead stock.

Stock turns vary very considerably between different trades, and different departments. In one store the millinery department may be turning its stock twelve times a year, the cabinet furniture department four times a year, and the jewellery department only once a year, and all of them may be considered equally satisfactory for the particular trade.

Some of the factors affecting stock turns may be summarized as follows—

- 1 *Nature of Goods* Perishable goods must be bought more sparingly and more often than non perishable goods, therefore, the stock turn on perishable goods is higher.
- 2 *Nature of Demand* Articles for everyday use command a ready sale with frequent repeat orders, and therefore businesses dealing in daily necessities have higher stock turns than businesses dealing in luxuries or occasional requirements.
- 3 *Fluctuation in Trade* A business with a steady trade all the year round has a better stock turn per annum than one with seasonal trade, where stocks may be idle for months, or one with fluctuating trade, where there is a tendency to overbuy.
- 4 *Class of Customer* Better-class customers expect a much greater variety to choose from than working-class customers, therefore the stock turn of a better-class business is lower.

5 *Special Orders* Where there is a large volume of special orders for customers and goods are being sold from samples, models, or photographs, the stock turn is very considerably improved

6 *Buying Policy* In some trades it is good policy to carry stocks, e.g. where quantity discounts can be obtained and in other trades it is not e.g. where fashion changes are common. The business which carries stock as a policy will naturally have a lower stock turn than the one which avoids doing so

7 *Manufacturing* Where a retailer has his own factories, or has an arrangement to take frequent deliveries from a neighbouring factory his stock turns will be improved to a very great extent

Although stock turns are usually quoted "per annum," most retailers like to follow the figures closely and it is customary to prepare interim statements at quarterly or even more frequent intervals, showing the rate at which the stocks are being turned, and giving comparisons with the corresponding period of previous years, and with the target stock turns fixed by the management which the departments are expected to achieve

' Turnover
of Stocks
Statement

frequency intervals, showing the rate at which the stocks are being turned, and giving comparisons with the corresponding period of previous years, and with

the target stock turns fixed by the management which the departments are expected to achieve

A statement of this kind is illustrated on page 123, and shows the effect of cutting down stocks of luxury goods to meet trade depression. This has improved the stock turn, except in the case of the department with the lowest rate of turn, illustrating the fact that the lower the rate of stock turn of a business, the less flexible it is in meeting changing trade conditions

The "average stock" figure for the quarter is found by adding together the estimated stock figures for all of the weeks in the quarter and dividing by thirteen

Where stocks are charged to departments at cost prices, the stock turns will be calculated by deducting the average rate of gross profit from the sales, thus arriving at the "cost of sales," and then dividing the average stock at cost into the cost of sales

In some department stores, the stock turns are calculated by dividing the average stock at cost into the sales, so that, instead of showing the average turnover of stock, the "stock turn" shows the number of times the amount invested in stock has been covered by sales. With this method, the stock turn figures are affected to a very considerable extent by the gross profit rates. For example, a

Stock at Cost
in Relation
to Sales

of showing the average turnover of stock, the "stock turn" shows the number of times the amount invested in stock has been covered by sales. With this method,

the stock turn figures are affected to a very considerable extent by the gross profit rates. For example, a

CHAPTER VII

PRICES AND PROFITS

A RETAILER'S turnover is made up of a large number of small transactions each of which should make some contribution to his profits after providing for costs and expenses

The items which must be provided for in fixing retail selling prices may be summarized as follows—

- 1 The cost of the goods or the materials from which they are made
- 2 The cost of preparing the goods for sale
- 3 The expenses directly connected with the sale
- 4 The establishment and other overhead expenses of the business
- 5 A satisfactory margin of net profit
- 6 A provision for mark downs and waste

The cost of the goods means the amount paid to the supplier for them plus any expenses directly incurred in bringing them to the shop. For example if the retailer pays for the carriage of the goods from the supplier's factory or in the case of imported goods pays the freight marine insurance and customs duty this can be considered as an addition to the cost of the goods

Cost of
the Goods

For the purpose of fixing retail prices the unit cost of every article of merchandise must be known and therefore when a buyer buys a mixed job lot or a bankrupt or salvage stock it is necessary for him to apportion the total cost over the various lines in order to arrive at the unit cost of each line. The unit may of course be a single article a yard a pound a pint or any other measure. Similarly when the buyer pays the expenses of bringing the goods to the shop he must apportion that cost over the various lines included in the consignment. In practice he will calculate what percentage of the cost of the goods these expenses amount to and will add that percentage to the unit cost of each line. For stock taking purposes such expenses may be included as part of the value of the goods.

The cost of preparing the goods for sale includes the cost of all productive work or improvements executed by the retailer for

example the trimming of millinery the polishing of furniture the stuffing of pillows and cushions the making up of blinds and curtains the grinding and roasting of coffee or the blending of tea

Cost of
Preparation

Such costs may be ascertained by calculating the actual cost of the labour and materials used in the operations and spreading this cost over the number of units worked on for example if £1 16s is spent on trimming 3 dozen hats this represents an addition of 1s to the cost of each hat Alternatively the productive work may be looked upon as a separate business or department which is allowed a percentage of the cost of the goods for its expenses For example the polishing shop of a furniture business may be allowed 5 per cent of the cost of the goods it polishes to cover all its expenses In this case the percentage allowed to the productive department will be added to the cost of the goods

Preparation costs also represent an addition to the value of the goods and for stocktaking purposes prepared goods should be taken at their original plus preparation cost

The expenses directly connected with the sale of the goods include commissions payable to salesmen and others packing and delivery expenses the expenses of granting credit or hire purchase terms and the cost of any after sales or incidental service given to the customer

Direct
Expenses

Some of these expenses may be chargeable directly to the customers as separate items for example the customer who expects goods to be delivered may be charged for carriage the customer who expects hire-purchase terms may be charged interest to cover the expenses and the customer who expects carpets to be laid may be charged for planning making up and laying

Alternatively such expenses may be recovered by adding a percentage to the cost of the goods before calculating the selling prices the percentage being determined by the retailer's experience of the costs

The direct expenses depend upon the trading policy of the business and the service it offers to its customers Comprehensive service costs money and the customers must pay for it directly or indirectly If the majority of a retailer's customers avail themselves of a facility or service it will be more convenient for him

to provide for the cost in fixing his selling prices than to charge them separately but if only a small proportion of his customers require the facility or service it will be advisable for him to charge that proportion of his customers separately otherwise he will be giving them an unfair preference over his other customers and he will make his prices unattractive to his other customers

For example a furnisher specializing in hire purchase business fixes his selling prices to cover the interest on the capital invested the clerical expenses and the risk of bad debts and gives a cash discount to any customers who pay prompt cash instead of taking the credit offered On the other hand a furnisher with a large volume of cash business will fix his selling prices on a cash basis and charge hire purchase customers interest

It is important to note that this class of expenses varies almost in direct relation to the volume of turnover The greater the turnover the greater the direct expenses

The overhead expenses consist of all the remaining expenses of the business including rent rates taxes lighting heating and other premises expenses salaries and wages advertising and display expenses depreciation and upkeep of equipment and vehicles stationery telephones postages and interest on debentures and loans These expenses do not vary in direct relation to the volume of turnover they must be incurred in anticipation of sales and met whether sales are made or not

**Overhead
Expenses**

Methods of classifying overhead expenses and apportioning them among departments are described in Chapter XIX

In most businesses the principals work to a target of net profit, an amount which they consider should be earned by the business to reward them for their enterprise and the use of their capital This target is usually a percentage of the capital invested in the business For example the proprietors of a drapery business may expect it to show a net profit of 15 per cent per annum on the capital invested in it which in the case of a business with a capital of £100 000 would amount to £15 000 per annum The target of net profit may be added to the overhead expenses for the purpose of price fixing

**Net
Profit**

The greater the turnover the less each transaction has to contribute to the overhead expenses and net profit therefore the less need be included in the selling prices for them

In view of this the retailer must estimate the turnover of his business before he can say how much should be included in his selling prices to cover overhead expenses and net profit. For example, if the overhead expenses and required net profit of a business amount to £20 000 per annum and the turnover averages £100 000 per annum, the selling prices should include 20 per cent for overheads and net profit, which means 25 per cent addition to the cost and direct expenses of the goods. If however the turnover is increased to £120 000, the selling prices need only include 16½ per cent for overheads and net profit, which means 20 per cent addition to the cost of the goods.

Effect of
Turnover
on Prices

Where the percentage added to cost for overheads and net profit remains unaltered, increased turnover means an increased percentage of profit to turnover, and decreased turnover means a decreased percentage of profit to turnover. For example, if, in the case of a business with a turnover of £100,000 the overhead expenses amounted to £12,000 and the net profit to £8 000, and the turnover could be increased to £120,000 without cutting prices or adding to the overhead expenses, this would increase the net profits to £12,000. Expressed in percentages, the increase of 20 per cent in turnover would have the effect of reducing the overhead expenses from 12 per cent to 10 per cent of the turnover and increasing the profit from 8 per cent to 10 per cent of the turnover.

Turnover
and Net
Profits

In price fixing, however, the effect of prices on turnover must be considered, as well as the effect of turnover on profits. Reduced prices nearly always mean larger turnover and it may therefore be advantageous for a retailer who is benefiting by increasing turnover to pass some of the benefit on to his customers by revising his provision for overheads and profits on the increased turnover basis, and thereby reducing his prices.

Effect of
Prices on
Turnover

In this way he may secure a further increase in turnover with a consequent further increase in net profits. Increased turnover also makes for economies in the cost of the goods, as better quantity discounts can be obtained, and it may make for reductions in the percentage figures of preparation costs and direct expenses. For example although increased turnover will increase the total cost

of delivering goods to customers the cost per consignment delivered should be reduced as the number of consignments increases. Quicker trade also makes for more frequent turning of stocks and reduces the risk of goods becoming out of date and having to be sold at a reduced price with consequent loss of profits.

In fixing selling prices it must be borne in mind that the full margin of profit included will only be obtained if and when the whole of the goods are sold at the prices fixed. If any of the goods ultimately have to be sold at prices below those originally fixed for them or any of them are lost through waste or breakage there will be a consequent loss of profit. Where therefore such reductions in price or losses are common they must be provided for in price fixing.

Loss of
Profits

Reductions in price are most common in the fashion trades where they are known as mark downs and represent sacrifices made in order to clear goods which are becoming out of date. For example a furrier may buy a consignment of 10 furs for £5 each and mark them for sale at £10 each—aiming at a gross profit of 100 per cent on cost. He may sell five of them at this price and then find it advisable in view of a change in the fashion to sell the remaining five at £6 each in order to clear them. This mark down will reduce the amount he receives for the consignment of furs to £80 and reduce his gross profit to £30 i.e. 60 per cent on cost.

Mark
Downs

If this transaction was typical of the furrier's business he would be in the position of having to aim at a gross profit of 100 per cent on cost in order to achieve a gross profit of 60 per cent on cost.

Waste applies particularly to perishable goods and represents a loss of part of the quantity of merchandise purchased. For example a florist may purchase 120 chrysanthemums for 20s a florist may purchase 120 chrysanthemums for 20s

Waste

i.e. 2d each and mark them for sale at 3d each aiming at a gross profit of 50 per cent on cost. He may sell 100 of them at this price and then have to throw the remaining 20 away. This loss will reduce the amount he receives for the chrysanthemums to 25s so that he makes 5s profit on them i.e. 25 per cent on cost. If this transaction was typical of the florist's business he would be in the position of having to aim at a gross profit of 50 per cent on cost in order to achieve a gross profit of 25 per cent on cost.

TABLE OF MARK UPS

SHOWING THE PERCENTAGE OF COST TO BE ADDED TO THE COST PRICES OF INCOMING GOODS TO ALLOW FOR MARK DOWNS OF FROM 1 PER CENT TO 15 PER CENT OF SALES AND PROVIDE GROSS PROFITS OF FROM 16½ PER CENT TO 66½ PER CENT OF SALES. FRACTIONS OF 1 PER CENT HAVE BEEN TREATED AS 1 PER CENT

Gross Profit Required Per Cent of Sales

Mark Down Anticipated Per Cent of Sales

	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	11%	12%	13%	14%	15%
16½	22	23	24	25	26	28	29	30	31	32	34	35	36	37	38
20	27	28	29	30	32	33	34	35	37	38	39	40	42	43	44
25	35	36	38	39	40	42	43	44	46	47	48	50	51	52	54
30	45	46	48	49	50	52	53	55	56	58	59	60	62	63	65
33½	52	53	55	56	58	59	61	62	64	65	67	68	70	71	73
35	56	57	59	60	62	64	65	67	68	70	71	73	74	76	77
40	69	70	72	74	75	77	79	80	82	84	85	87	89	90	92
45	84	86	88	90	91	93	95	97	99	100	102	104	106	108	110
50	102	104	106	108	110	112	114	116	118	120	122	124	126	128	130
55	125	127	129	132	134	136	138	140	143	145	147	149	152	154	156
60	153	155	158	160	163	165	168	170	173	175	178	180	183	185	188
66½	203	206	209	212	215	218	221	224	227	230	233	236	239	242	245

Incidentally this table shows to what extent mark downs eat into profits and explains the failure of many inexperienced retailers who fix their prices without providing for mark downs

The advantage of quoting the mark down as a percentage of sales is that it enables a buyer to regulate his mark downs according to his sales. For example if his anticipated mark down is 8 per cent of sales he knows that for every £100 of sales he makes he can if necessary appropriate £8 to the marking down of goods that are hanging fire

Great diversity of practice and some confusion of thought exist amongst retailers in regard to the calculation of percentages. Some retailers base all their percentages on the selling prices so that in speaking of a $33\frac{1}{3}$ per cent mark up they mean a mark up which will show a gross profit of $33\frac{1}{3}$ per cent on selling

Basis for
Percentages

Other retailers base all their percentages on the cost of the goods so that in speaking of a $33\frac{1}{3}$ per cent mark up they mean an addition of $33\frac{1}{3}$ per cent to the cost of the goods which would show a gross profit of 25 per cent on selling. A 10 per cent mark down would mean to them a reduction in price equivalent to 10 per cent of the cost of the goods

It does not matter which basis a retailer works on so long as he is consistent and does not confuse his assistants. In dealing with incoming merchandise the cost basis is usually the more convenient as it facilitates the calculation of the selling prices in marking up goods. In other words it is easier for an assistant marking up goods to add a certain percentage to the cost price than to work out how much must be added to the cost price in order to show a certain percentage on selling. In dealing with collective results however it is usually more convenient to base the percentages on sales as the sales turnover will be the basic figure and it will be desired to show costs, expenses and profits as proportions of sales.

In giving instructions or quoting statistics the basis of any percentages mentioned should always be stated e.g. 50 per cent on cost $33\frac{1}{3}$ per cent of selling price 30 per cent of sales

Precautions
in Quoting
Percentages

If an analysis of an individual selling price is being prepared it may be advisable to show the various items in relation both to cost and selling prices as shown in the illustration on page 134

ANALYSIS OF SELLING PRICE

THUNDERER TABLE GRAND GRAMOPHONE

Stock No 1270

		Percentage of Cost	Percentage of Selling Price
Cost of components	£ 2 7 6	95	47½
Cost of assembling	2 6	5	2½
Total cost	2 10 -	100	50
Provision for delivery hire purchase and after sales service expenses	12 6	25	12½
Overhead expenses	1 - -	40	20
Net profit	12 6	25	12½
Provision for mark down	5 -	10	5
Selling price	5 - -	200	100

A study of the relation of his costs expenses and profits and comparisons between the anticipated and actual results in the various sections departments or branches of his business enable a retailer to find out where he is making money and where he is losing money. Also he is able to examine any proposition submitted to him by a supplier or customer and judge whether or not he can enter into it with profit. This is of great importance in businesses where big contracts for customers or important agencies for suppliers are undertaken.

Price fixing is not merely a matter of accountancy—policy enters very largely into it but it is very important for a retailer to formulate and apply his price policy with his eyes open and with facts to work on instead of having to gamble or rely on guess-work. The retailer who knows his costs may decide to sell some goods at a very low profit or even at a loss as an advertisement or he may decide to exempt some departments from making any contribution to the overhead expenses or net profits of the business. He knows approximately how much it will cost him to make the sacrifices necessitated by such a policy and is therefore in little danger of taking a false step.

Price is a vital factor in competition between shops and the retailer must therefore study his competitors prices and learn all he can about their mark ups and profits. He will wish to avoid price comparisons which are unfavourable to his shop because every selling price which is above that of close competitors is a bad advertisement

Influence of
Competition
on Prices

In considering the addition of a new line to his stock therefore the retailer should try to find out whether it is being sold by his competitors and if so at what price. It is then for him to consider whether he can afford to sell the line at that price or at a lower price. If he finds that selling the line at the competitor's price will not give him a sufficient margin of profit he should avoid stocking it. It may be that the competitor is selling that particular line at a sacrifice as an advertisement in which case the retailer will be ill advised to copy him unless the line is one that his customers are demanding.

Where a retailer continually finds himself at a disadvantage in price comparisons with his competitors he should make a very thorough investigation into the matter as this suggests that he is not buying economically or that his expenses are unduly high.

Some retailers make a practice of deliberate price cutting working on small profit margins and keeping their expenses down in order to show lower prices than their competitors.

Although the idea of giving the best value for money is commendable and in some trades a price cutting retailer is well supported by the public price cutting cannot be recommended as a trading policy because it is destructive rather than constructive. The price cutter's activities tend to reduce margins for overheads and profit to a dangerously low level and if any unforeseen circumstance causes a substantial reduction in his turnover he is faced with a loss on trading.

Price
cutting

Furthermore his economies in direct and overhead expenses may make his service to the public incomplete and unattractive driving away fastidious or critical customers. Price-cutting is therefore unsafe in catering for better class customers.

The chief objection to price cutting as a policy is however the fact that it is not distinctive and is not therefore a sound basis for retail goodwill. Any fool can cut prices and the price cutter is always in danger of some competitor even more economical.

rash, cutting prices still further, in which case the pioneer of price-cutting may have to make sacrifices or losses in order to retain his customers. Any goodwill which a price cutter builds up by price-cutting will be lost if his prices cease to be the lowest. He has catered for a class of customer that puts price before everything else, and he will only retain this customer's patronage so long as his prices are the lowest.

The
Price-cutter's
Weakness

Prices attractive to the customer are not always low prices. In many shops it is found that certain prices have a peculiar attraction for customers because they happen to be convenient or because the customers have been "educated" to pay those prices. For example, it may be that in a certain shoe shop 25s is a "popular" price for a pair of men's shoes or that in a certain milliner's 8s 11d is a "popular" price for a hat. The secret of this popularity is merely that the customers have acquired the habit of paying the particular price. It may be that the price is the one most commonly met with or most freely advertised in the district, or that the customers have at some time or other been very well satisfied with an article bought at that price.

The
Customer's
Idea of
Price

Many retailers find that new lines introduced at unusual prices hang fire, but sell readily on being reduced to a popular price. For example, if a retailer has stocked a range of articles at 5s, 7s, 6d, and 10s for some time, and then introduces a new line at 6s, he may find that his customers take no interest in it, until it is marked down to 5s. It is not unknown for an article to sell more readily on its price being *increased* from an unusual figure to a popular price.

Popular
Prices

Such preferences or prejudices are understandable in view of the fact that many customers are quite unable to judge values. To them, price is the only indication of value, and, although they have a very fixed idea of how much they should pay for an article, they have no means of estimating the relative values of articles offered to them at that price.

Some multiple shops practice what is known as "price lining," i.e. establishing a popular range of prices and buying goods for sale at those prices. For example, a man's hatters may stock bowler hats at three prices only, 15s, 20s, and 30s, all prices being

adjusted to the price line nearest to the price indicated by the mark up. This practice not only enables unpopular prices to be avoided but also greatly simplifies the work of the stock keepers and salesmen and makes for fewer mistakes in marking up, quoting and entering. It is however only suitable for a retailer who has his own brands of merchandise or a range of lines that his competitors cannot obtain so that no direct comparison with competitors' prices is possible. With common merchandise price lining which usually operates as a form of price averaging would tend to take some prices above those of competitors.

Price
Lining

In the case of proprietary articles where the selling prices are fixed by the supplier the small retailer usually assumes that the rate of gross profit which these selling prices show him is satisfactory, the suggestion being that he can afford to sell them at the same price as anyone else. This assumption will not suffice in the case of the important retailer who gives a specialist service to his customers. He will have to be satisfied that the margin of profit allowed by the supplier is enough to cover his direct and overhead expenses and to show him a satisfactory net profit.

Proprietary
Articles

The retailer may of course be content with a smaller margin of profit on proprietary articles than on other goods as they may command a much more ready sale and bring him additional business and there will probably be no preparation costs or mark down to provide for in respect of them. The direct expenses of selling must however be taken into consideration and the retailer who offers his customers hire purchase terms, delivery or after sales service without extra charge may be unable to deal in proprietary articles.

In department stores and multiple shop companies prices and profits are looked upon as factors too vital to be left entirely to the discretion of the departmental or branch managers and some system of price or profit control is generally adopted. The measure of control varies very considerably according to the nature of the business and the type of departmental managers employed.

Price
Control

In some multiple shop companies the selling prices or the percentage of mark up to be added to the cost are fixed by the

head office and the branch manager has no right to make variations without the consent of his head office. With this system the branch will be debited with its stock at selling prices and made to account for every penny of it either in sales in stock on hand or in concessions authorized by the head office. This system is described and illustrated in Chapter XVII.

In department stores the buyers may be given a free hand to fix prices and vary them at will provided they achieve a satisfactory gross profit on the trading for each period but more often they are expected to work to target figures set by the management. Targets are set for both the average mark up and the average gross profit so that the buyer is restricted both in regard to the profit he may put on new goods in fixing selling prices and the amount he may mark down the goods subsequently. For example the target for the average mark up may be $33\frac{1}{3}$ per cent of selling and that for the average gross profit 25 per cent of sales. This means that the buyer should fix his prices on new goods to show an average mark up of $33\frac{1}{3}$ per cent on selling and that his trading over a period should show a gross profit of 25 per cent on sales. His mark downs should therefore be limited in total to $12\frac{1}{2}$ per cent on sales because he will have to show £100 in sales for every £112 10s. of original selling prices fixed.

Such restrictions are unpopular with buyers but it will be understood that in a big store with dozens of departments it is impossible to give the buyers a free hand. It has already been pointed out that policy plays a very important part in price fixing and in a big store the policy of the store must take precedence over the policy of any department.

Where it is the policy for all departments to make as much profit as they can the buyers will be judged by the actual gross profit their departments show on trading and their average mark ups and mark downs will only become of importance when a reason has to be found for unsatisfactory profits in a department.

Where however it is the policy of the store to vary the normal procedure—for example to charge much lower prices in certain departments than the buyers would wish to charge or to charge high prices on new goods and show substantial mark downs—the average mark ups and mark downs by comparison with the targets will show how far the buyers are carrying out the policy.

PRICES AND PROFITS SUMMARY

Quarter Ended 31st March, 1931

Department	MARK UP				GROSS PROFIT					MARK DOWN			
	Selling Prices Fixed	Cost	Mark Up	Per Cent of Selling	Target	Sales	Cost of Sales	Gross Profit	Per Cent of Sales	Target	Reduc- tions Reported	Per Cent of Sales	Target
Gowns	£ 818	£ 516	£ 302	% 37	% 40	£ 784	£ 533	£ 251	% 32	% 36	£ 55	% 7	% 6
Costumes	394	259	135	34	35	382	262	120	31	32	19	5	5
Coats	336	208	128	38	40	340	225	115	34	36	24	7	6
Furs	640	407	233	36	40	222	488	234	32	35	65	9	9
Millinery	1 091	561	530	49	50	904	554	350	39	44	117	13	12
Silks	592	391	201	34	35	360	392	168	30	30	34	6	7
Woolleens	288	199	89	31	33	266	190	76	29	30	16	6	5
Hosiery	374	257	117	31	30	381	269	112	29	28	7	2	3
Haberdashery	260	168	92	35	33	248	166	82	33	32	2	1	2
Undies	402	256	146	36	35	387	259	128	33	33	12	3	3
Total	£5 195	£3 222	£1 973	38	40	£4 974	£3 338	£1 636	33	36	£351	7	6

On page 139 there is illustrated a Prices and Profits Summary by means of which the management follow the movements of prices gross profits and mark downs and compare the buyers achievements with the targets set for them. The figures for the Selling Prices Fixed and Cost columns in the Mark up section are obtained by summarizing the counting house copies of the Selling Instructions (see page 87)

The Gross Profit section shows the actual results the figures being taken from the trading account for the period. The Sales figure is the sales less returns from customers and allowances to customers and the Cost of Sales figure is the purchases plus the stock at the beginning of the period minus the stock at the end of the period and any returns to suppliers.

The figures for the Reductions Reported column in the Mark Down section are obtained by summarizing the counting house copies of the Alteration in Selling Price notes (see page 117) any increases in prices being deducted from the total reductions.

Prices and profits are so vitally important that their supervision should be the personal responsibility of someone who has the ability and authority to go fully into the facts and figures and give instructions for steps to be taken to correct any undesirable trend. The work merits the attention of the proprietor or senior partner of a business or in the case of a limited company the chairman or managing director.

It is an extraordinary thing that in many businesses the statistics referring to prices and profits are only studied by clerks who have no authority to take steps to correct objectionable tendencies and probably do not know what steps should be taken. In other cases the statistics are submitted to the management so long after the period they refer to that the figures are of little or no use for administrative purposes as very considerable changes may have taken place in the meantime. Principals and executives responsible for prices and profits should insist upon receiving the figures as soon as possible after the close of each period.

One danger point in supervising the price changes made by buyers is the possibility that it may deter the buyers from marking down lines that are hanging fire with the result that these lines

Date. *31st March, 1931*

Quantity	Stock Number	Description	Original Selling Price	Present Selling Price	Cost Price	Month of Purchase	Sales for Month to Date	Remarks
1	GR 642	Defaa Cabinet Electric	£ 84 - -	£ 75 - -	£ 52 10 -	Sept 1930	-	Customer interested
3	GR 729	Shrieber Cabinet	21 - -	18 18 -	14	Oct 1930	1	Reduced this month
5	GR 730	Shrieber Table Grand	12 12	10 10	8 8 -	Oct 1930	2	Reduced this month
7	GR 840	Squawks Portable	2 2 - -	2 2 - -	1 8	Nov 1930	2	Slow but steady sale

John Austin
Buyer

become unsaleable. Generally speaking early mark downs save money because both obsolescence and depreciation are rapidly cumulative and an article that may sell readily on a 10 per cent mark down when it is waning in popularity or slightly soiled may not be saleable on a 50 per cent mark down when it has become obsolete or dilapidated. Mark down figures are no guide to the state of a buyer's stocks. They merely show the sacrifices that have been made not the sacrifices that should be made.

A study of mark down figures in association with sales and stock turn figures may however draw attention to insufficient mark downs. In a fashion trade a substantial reduction in the percentage of mark downs is always a matter for inquiry and where this is accompanied by a falling off in turnover or in stock turn it is a positive danger signal.

In some shops and stores departmental managers or stock keepers have to prepare lists of slow moving or dead stock similar to that illustrated on page 141 at quarterly intervals for submission to the management. The period of time after which merchandise must be regarded as old will be fixed by the management and varied to meet the characteristics of different departments.

This list enables the management to make recommendations to the buyer for the clearance of his old stocks but its chief advantage is that it compels the buyer to review his stocks at frequent intervals and make plans for the clearance of goods that are hanging fire.

In many businesses it is considered advisable to grant price concessions which have no relation to the goods but refer to the individual customers or their manner of purchasing. Such concessions include discounts to employees share holders or club members trade quantity and cash discounts.

The objects of granting discounts to employees on goods purchased for their own use are to encourage them to deal with the shop in which they are employed to prevent them fraternizing with competitors or suppliers to interest them in the merchandise of the shop as a whole and to secure their goodwill by reducing their cost of living to a certain extent. In department stores it is found that by allowing

the employees to do their shopping in the store during the early hours of the day, the employees obtain a general knowledge of the departments and the goods stocked in them which broadens their vision, enables them to direct customers who require goods not stocked in their particular department and leads them to talk to customers about goods in other departments

Concessions granted to employees vary very considerably between different businesses. In some cases they are charged the bare cost of the goods, in others they are only allowed a small percentage off the ordinary selling price

Generally speaking a very generous policy in regard to staff purchases defeats its own objects as it is found that where employees are allowed to buy goods at cost prices or a small percentage on cost prices such purchases are discouraged by the buyers and others and it may be necessary for the management to place limitations and restrictions on the staff purchases in order to prevent employees from buying goods for outsiders and sharing in the amount saved by the outsiders

Generosity
may be
Unwise

In contrast to this, it is better to give the employees a percentage discount, off the selling prices, which will be sufficient to induce them to buy from the shop, but not sufficient to encourage wangles with outsiders. If such concessions still leave the shop a substantial margin of profit, the employees can be encouraged to buy as much as they like, for themselves and their families

Employees should be forbidden to purchase goods directly from suppliers or to introduce business to suppliers as such relation ship may lead to very objectionable practices. The application of this rule is particularly important in the case of the buyers and executives, who have the greatest opportunities for irregular relationships

Discounts are sometimes given to shareholders or regular customers who become club members with the object of promoting goodwill and identifying them more closely with the shop. Some people are particularly attracted by discounts and will buy as much as they can from a shop which grants them a concession. A discount of 5 per cent may be quite sufficient for this purpose and be more than offset by the benefits of the extra business obtained

Shareholders
or Members
Discounts

In other cases 'trade' or "professional" discounts are granted to customers who purchase goods for resale or for use in their trade or profession. By this means the retailer may be able to secure business which would otherwise go to wholesalers or manufacturers, and thus increase his own purchasing power, and he builds up goodwill with persons who are likely to buy in considerable quantities and introduce other customers.

Trade Discounts

The professional musician, who needs regular supplies of music and accessories, expects to obtain preferential treatment as compared with the amateur whose purchases are occasional and relatively unimportant. In most cities, there are shops catering especially for trade and professional customers, but, in the small towns, some enterprising retailer usually secures their patronage by means of discounts.

Where valuable concessions are made to privileged customers of any kind, the question arises as to who should have authority to grant the concessions in individual cases. In a small business, persons claiming such concessions will usually be interviewed by the proprietor or manager, who will ask for their privilege ticket, trade or professional card, and satisfy himself as to their *bona fides*. In a large business, concessions may only be granted to privileged customers who have an account and send written orders for their requirements. Under these conditions, the concession can take the form of a weekly or monthly 'rebate' credited to the customer's account, and the salesmen who execute the orders need not know the extent of the concessions made to the privileged customers.

Authority to Grant Concessions

At one time salesmen were often given a free hand to "read their customers' and 'adjust' the selling prices in accordance with the apparent means, bargaining ability or importance of the customers, but this position is rarely met with nowadays and an ordinary salesman usually has no authority to make bargains or grant concessions to customers. The salesman is much better off with fixed prices, as he is relieved from the unpleasantness of haggling with customers, and his only responsibility in the matter of price is to see that the customers are charged the correct amount.

"Reading" the Customers

Quantity concessions are sometimes offered to all customers

PRICE CONCESSION REPORT

Date 7th May 1931

To Counting House

From Musical Instrument Department

The following price concessions have been made to day

Quantity	Stock No	Description	Marked Price	Sold At	Concession	Reason for Concession
1	M 419	Tuang Banjo	£ 7 10 -	£ 7 -	£ 10 -	Shop soiled
1	M 438	Whiner Concertina	12 12 -	9 9	3 3 -	Trade customer (Marks & Co)
1	M 621	Violin Tutor	5	-	5	Given free with £15 15s violin
1	M 470	Boomer Saxophone	30 -	22 10	7 10 -	Trade customer (Shaw & Shaw)
			£50 7 -	£38 19 -	£11 8	
						A Morgan Buyer

with the object of inducing them to buy in larger quantities. The concession may take the form of a discount or reduction in price or the throwing in of additional merchandise.

Quantity Discounts

The baker's offer of seven penny buns for sixpence is paralleled in many trades and may be a very effective form of sales promotion. Even in the case of regular customers the granting of quantity concessions is not a sacrifice as stocks in customers' hands increase their consumption. In other words the more they have the more they use. Quantity sales may also have the effect of turning occasional customers into regular customers for example if the man who occasionally buys a bottle of wine can be induced to buy a dozen bottles he may get into the habit of taking wine with his dinner and so become a regular customer.

Cash discounts are not so commonly met with in retailing as they are in wholesaling but they have their advantages in trades

Cash Discounts

or towns where long credit is the general rule but cash trade is desirable. In most shops where discounts are allowed on cash sales the prices are fixed on a credit basis to cover interest on capital, book-keeping expenses and the risk of bad debts so that the cash discount is merely a rebate of a charge which does not apply to the particular customer.

Where any form of price concession or discount is allowed it is important for it to be separately recorded so that the retailer may

Price Concession Report

know how much the concession costs him in a year—a guide to future policy. Where departments or branches are charged with their stock at selling prices the aggregate concessions must be credited to their stock control accounts. This only applies to concessions which operate by way of reductions of sales figures and not to discounts or rebates adjusted on customers' ledger accounts.

A form of Price Concession Report upon which a departmental manager may report concessions granted to customers and from which his Stock Control Account may be credited is illustrated on page 145.

CHAPTER VIII

SALES TURNOVER

IN the preceding chapter some consideration has been given to the relation between sales turnover, overhead expenses, and prices, and in particular to the way in which a more or less unvarying burden of overhead expenses makes fluctuations in turnover cause even greater fluctuations in net profits

The establishment and other overhead expenses of the retailer are the starting point for his study of turnover required. The new shop is committed to spend a certain amount per annum on rent, rates, taxes, lighting, heating, and other expenses, and its gross profits are limited by considerations of policy, competition, or price fixing by suppliers. It is therefore committed to secure a certain amount of turnover per annum before it begins to cover its expenses and make net profits. For example, if its overhead expenses are £1,000 per annum and its gross profit on trading is 20 per cent of sales, it must secure a sales turnover of £5,000 per annum before it begins to pay its way and make net profits.

Relation of
Sales and
Expenses

Furthermore, overhead expenses usually increase as a business gets older, e.g. its employees expect increases in salary, its premises and equipment become more costly to maintain, and heavier burdens of taxation and rating are placed upon it.

If, therefore, net profits are to be maintained, the sales turnover must continually be increased. In theory, the sales turnover of a business which has a sound policy and convenient premises, and gives good service to its customers, should increase of its own accord as the goodwill develops and extends, but in practice this cannot be relied upon, owing to the influence of competition. Furthermore, where a business is left to develop "naturally," there is a strong tendency for gross profits to decrease, because the customers' patronage is naturally drawn to the departments or lines which show the best value for money and therefore the smallest profits, and in the departments or lines which are relatively unpopular.

Natural
Development
of Sales

because of their higher mark ups slow moving stocks accumulate with consequent heavy mark downs or waste

This decrease in gross profits may more than offset the benefit of the increased turnover. For example if a business has a sales turnover of £100 000 per annum with a gross profit of 25 per cent of sales and the turnover increases to £120 000 per annum with a gross profit of 20 per cent of sales the actual amount of gross profit will have dropped £1 000 per annum although the substantial increase of 20 per cent in turnover will probably have caused a considerable increase in expenses

It is therefore advisable for the sales turnover to be planned and controlled with the object of directing the activities of the business and the customers patronage into profitable channels. In practice the sales turnover is usually planned in advance for each financial year

Planning
Sales
Turnover

The first step in planning sales turnover is known as forecasting i.e. estimating what the turnover and profits for the coming year are likely to be if no change in policy or methods is made. For this purpose the retailer has to make two distinct surveys (1) a study of the trend of general and local trade conditions and the way in which they are likely to affect his business and (2) an introspective study of the trend of business in his various departments or sections of stock

A study of general trade conditions is much more important in some businesses than in others. Most drapery furnishing and luxury businesses are remarkably sensitive to trade revivals and depressions but businesses specializing in essential services or foodstuffs may hardly notice them

Trade revivals and depressions are respectively the upward and downward movements of what is known as a trade cycle in which certain basic commodity and industrial share prices circle round their economic level or true value. In a trade revival or period of inflation such prices rise above their economic level and in a trade depression or period of deflation they fall below their economic level

Trade
Cycles

Raw materials and stocks and shares are a field for speculation by big operators whose activities prevent stabilization and cause prices to swing above and below their economic level. Their buying and selling are purely speculative and quite distinct from the ordinary

"supply and demand" business. They buy in anticipation of a rise in prices and sell in anticipation of a fall in prices so that they are interested in forcing prices up or down, whereas the ordinary merchant is better off with stable prices.

When prices are falling, the speculators are active in driving them as far down as they can. Ordinary sellers are reluctant to sell because prices are unremunerative and ordinary buyers are reluctant to buy because they think prices may go lower. This is what is known as 'stagnation'. Influence of Speculators

With prices below their economic level, however, the buyers' reluctance to buy is economically unsound and sooner or later they must begin buying and competing with one another for bargains. At this stage the big operators change their tactics and begin buying heavily for resale on the market at a profit, forcing prices up as far as they can. Smaller speculators and buyers follow their example and, when conditions are favourable, prices may rise far above their economic level in what is known as a 'boom'.

At this stage, buyers become reluctant to buy because prices are unattractive to them, sellers become apprehensive and eager to realize their holdings and bankers who have advanced money on stocks or holdings standing at inflated prices begin to press for repayment, with the result that prices begin to fall and the big operators proceed to precipitate the fall by heavy forward selling of stocks or holdings they do not possess but hope to buy subsequently at lower prices. This drives prices below their economic level and completes the trade cycle, at the same time preparing the way for another upward movement, which inevitably follows sooner or later.

Any factor influencing production, marketing, merchandising, consumption, or public feeling, e.g. wars, political crises, crop results, strikes and lock-outs, big business failures or deaths of monarchs, may have the effect of prolonging, curtailing, intensifying or modifying a trade revival or depression according to the effect on general business, so that one can never estimate with any degree of accuracy the extent to which an upward or downward movement may be carried, or predict the date of the turning point. Period of Cycles

In the retail trade, signs of revival include rising prices, flotation of new companies, opening of new branches by multiple shop

because of their higher mark ups slow moving stocks accumulate with consequent heavy mark downs or waste

This decrease in gross profits may more than offset the benefit of the increased turnover. For example if a business has a sales turnover of £100 000 per annum with a gross profit of 25 per cent of sales and the turnover increases to £120 000 per annum with a gross profit of 20 per cent of sales the actual amount of gross profit will have dropped £1 000 per annum although the substantial increase of 20 per cent in turnover will probably have caused a considerable increase in expenses

It is therefore advisable for the sales turnover to be planned and controlled with the object of directing the activities of the business and the customers patronage into profitable channels. In practice the sales turnover is usually planned in advance for each financial year

Planning
Sales
Turnover

The first step in planning sales turnover is known as forecasting i.e. estimating what the turnover and profits for the coming year are likely to be if no change in policy or methods is made. For this purpose the retailer has to make two distinct surveys (1) a study of the trend of general and local trade conditions and the way in which they are likely to affect his business and (2) an introspective study of the trend of business in his various departments or sections of stock

A study of general trade conditions is much more important in some businesses than in others. Most drapery furnishing and luxury businesses are remarkably sensitive to trade revivals and depressions but businesses specializing in essential services or foodstuffs may hardly notice them

Trade revivals and depressions are respectively the upward and downward movements of what is known as a trade cycle in which certain basic commodity and industrial share prices circle round their economic level or true value. In a trade revival or period of inflation such prices rise above their economic level and in a trade depression or period of deflation they fall below their economic level

Trade
Cycles

Raw materials and stocks and shares are a field for speculation by big operators whose activities prevent stabilization and cause prices to swing above and below their economic level. Their buying and selling are purely speculative and quite distinct from the ordinary

"supply and demand" business. They buy in anticipation of a rise in prices and sell in anticipation of a fall in prices, so that they are interested in forcing prices up or down whereas the ordinary merchant is better off with stable prices.

When prices are falling, the speculators are active in driving them as far down as they can, ordinary sellers are reluctant to sell because prices are unremunerative, and ordinary buyers are reluctant to buy because they think prices may go lower. This is what is known as "stagnation".

Influence of Speculators

With prices below their economic level however the buyers' reluctance to buy is economically unsound, and sooner or later they must begin buying and competing with one another for bargains. At this stage the big operators change their tactics and begin buying heavily for resale on the market at a profit forcing prices up as far as they can. Smaller speculators and buyers follow their example and, when conditions are favourable, prices may rise far above their economic level in what is known as a 'boom'.

At this stage, buyers become reluctant to buy because prices are unattractive to them, sellers become apprehensive and eager to realize their holdings and bankers who have advanced money on stocks or holdings standing at inflated prices begin to press for repayment, with the result that prices begin to fall and the big operators proceed to precipitate the fall by heavy forward selling of stocks or holdings they do not possess but hope to buy subsequently at lower prices. This drives prices below their economic level and completes the trade cycle, at the same time preparing the way for another upward movement which inevitably follows sooner or later.

Any factor influencing production, marketing, merchandising, consumption, or public feeling, e.g. wars, political crises, crop results, strikes and lock-outs, big business failures or deaths of monarchs, may have the effect of prolonging, curtailing, intensifying or modifying a trade revival or depression according to the effect on general business, so that one can never estimate with any degree of accuracy the extent to which an upward or downward movement may be carried, or predict the date of the turning point.

Period of Cycles

In the retail trade, signs of revival include rising prices, flotation of new companies, opening of new branches by multiple shop

companies extensions and modernization of premises new deluxe lines brought out by manufacturers and a general awakening of commercial enterprise

Effects on Retail Trade Signs of depression include falling prices unemployment commercial properties vacant business failures cheaper lines brought out by manufacturers and a general stagnation of commercial enterprise

A study of trade conditions enables a retailer to find out what departments of his business have followed the general trend of revival and depression and may therefore be expected to continue to do so and also which way business is likely to turn in the period under consideration

Local conditions affecting forecasts of turnover may include the building of new houses industrial developments and public works improvements in travelling facilities the deviation of road traffic the opening of new places of amusement or recreation and the advent of new competitors In this connection the retailer's object is to find out how far these developments are likely to affect his business and in which departments bearing in mind that in forecasting it is essential to deal separately with distinctive sections of a business

For the purpose of his introspective study of the trend of his own business the retailer should assemble all the figures he can that are likely to be of assistance and if possible go back at least five years He must bear in mind that for forecasting purposes trends in business—upward or downward movements from year to year—are more eloquent than the isolated figures for a year A year's figures show where the business was but the trend of several years' figures shows where it is going Generally speaking a steady movement in turnover upward or downward reflects inside conditions whereas fluctuations reflect outside conditions

Where a business is very sensitive to general trade conditions turnover maintained in time of depression is as healthy as an increase and turnover unimproved in time of revival is as unsatisfactory as a decrease Incidentally this shows the importance of studying general trade conditions

The figures that are of special value in a study of past results include the sales turnover and the number of sales transactions

the average stock and stock turns the average mark up and actual gross profit achieved the expenses and the net profit

The number of transactions will be found by ascertaining the number of sales checks used during the period This figure is of great importance in trades where prices fluctuate to a great extent as the number of transactions is then a better indication of the actual volume of business than is the total value of the sales

Number of
Transactions
and Average
Value

By dividing the number of transactions into the total value of the sales made the average value or average check will be found This figure is some indication of the class of business being done or the spending power of the customers being served but in comparing different years allowances must be made for altered price levels

In order to illustrate the process of forecasting it may be helpful to take a typical business as an example

It may be imagined that a retailer with an old established business in good class trunks suit cases bags etc has developed trade in inexpensive suit and attache cases and ladies fancy handbags with apparent success but his trading for 1930 results in a loss for the first time in the history of the business He wishes to forecast his turnover for 1931 with a view to taking steps to avoid a repetition of the loss He prepares the following summary of his trading for the five years 1926 to 1930 inclusive—

Year	Sales	Gross Profit		Expenses		Net Profit or Loss	
	£	£	Per cent on Sales	£	Per Cent on Sales	£	Per Cent on Sales
1926	6 865	2 103	31	1 485	22	618	9
1927	7 242	2 199	30	1 334	21	655	9
1928	8 031	2 455	31	1 695	21	760	9
1929	7 4 6	2 183	29	1 232	23	457	6
1930	6 447	1 622	25	1 284	28	162	3

Many retailers would consider these figures sufficient for their purpose as they suggest that the sole cause of the loss was the general depression in 1929-30 coupled with increasing expenses but our retailer wisely proceeds to go further into detail and prepares a summary of the available statistics for each of the three sections into which he divides his stock viz (1) suit attache and

other light cases, (2) trunks and heavy leather goods, (3) ladies' fancy handbags

SECTION I
SUIT ATTACHÉ, AND OTHER LIGHT CASES

Year	Sales	Number of Transactions	Average Check	Average Stock at Selling	Stock Turn	Mark Up on Selling	Gross Profit on Sales	Gross Profit Amount
	£		s d	£		%	%	£
1926	2,464	3082	16 —	602	4 2	35	30	739
1927	2,685	3704	14 6	688	3 9	35	29	778
1928	3,323	4563	14 3	747	4 3	33	28	900
1929	5,555	5237	13 7	790	4 5	32	26	925
1930	5,709	5744	12 12	843	4 4	30	23	855

This section shows a steady trend towards more business at a lower percentage of profit irrespective of general trade conditions.

The steadily declining average check, in combination with the declining mark up, shows that cheaper and cheaper goods have been sold and prices have been cut, so that the

Increasing
Sales at a
Sacrifice

increased business has been obtained at a sacrifice.

As the trader's expenses for 1930 amounted to 28 per cent of his total sales, this section with its gross profit of only 23 per cent in 1930, may be said to have made a net loss of 5 per cent. The stock turn is healthy but the sharp drop in 1927, in combination with the drop in the average check, suggests that the bringing in of cheaper goods undercut some of the existing stock, and this is borne out by the heavy mark downs in subsequent years.

The retailer knows of no local development likely to influence any section of his business, and considers that changes in general trade conditions are unlikely to alter the trend in this particular section. In forecasting the turnover and profits for 1931 it may therefore be assumed that if no change in policy is made, the increase in sales and transactions, and decline in profits will continue, and simple arithmetic, working on averages, will give the following forecast for 1931:

Year	Sales	Number of Transactions	Average Check	Average Stock at Selling	Stock Turn	Mark Up on Selling	Gross Profit on Sales	Gross Profit Amount
	£		s d	£		%	%	£
1931	4,020	6410	12 6	905	4 4	30%	21%	841

It may be explained that the method of averaging is to take the total movement during the five year period and divide by four (the figures for five years only show four years' movements)

For example, the sales increased £1,245 in four years, Averaging an average of £311 per annum, so that an increase of £311 has been forecast This method contrasts with that used in a case where the turnover is practically steady, without trend or fluctuation in sympathy with trade conditions In such cases, the average of the five years figures would be taken, adding them up and dividing by five

Averages play a very important part in forecasting because they make for moderation and feasibility There is a common saying amongst statisticians "Averages tell the truth Any abnormal figures, arising from exceptional circumstances should be excluded from the averages and where an important change of policy or practice has affected the results, the figures for periods preceding and following the change should be considered separately and not included in the same averages

SECTION II
TRUNKS AND HEAVY LEATHER GOODS

Year	Sales	Number of Transactions	Average Check	Average Stock at Selling	Stock Turn	Mark Up on Selling	Gross Profit on Sales	Gross Profit Amount
	£		£ s d	£		%	%	£
1926	3 806	2207	1 14 6	2 087	3 5	33	31	1 180
1927	3 674	2115	1 14 9	2 081	3 4	34	31	1 139
1928	3 472	1984	1 15 0	2 120	3 2	35	32	1 111
1929	2 843	1648	1 14 6	1 253	2 3	35	30	853
1930	2 244	1329	1 23 9	1 314	1 7	34	29	652

This section shows a trend of reducing turnover, accentuated in 1929 and 1930 by unfavourable trade conditions with prices and profit rates more or less maintained on the reduced volume The stock turn has fallen away badly and indicates a volume of dead stock which will require heavy mark downs to clear If this section is charged 28 per cent of sales for expenses it will still show a net profit, but this profit cannot be considered 'healthy' because the slow moving stock has not been marked down as it should have been

The inference is that the development of cheaper trade in light goods has driven away some of the better-class customers, or that

the cheaper light goods have undercut and captured business from the heavy goods

In forecasting the turnover and profits for 1931 it may be assumed that if no change in policy is made, the decline in the sales and profits will continue and simple arithmetic, working on averages will give the following forecast

Year	Sales	Number of Transactions	Average Check	Average Stock at Selling	Stock Turn	Mark Up on Selling	Gross Profit on Sales	Gross Profit Amount
1931	£ 854	1110	£ 1 13 3	£ 1 39 3	13	34%	28%	£ 519

In this case, the effect of averaging is to forecast a slowing up of the decline in turnover and profits, but this is consistent in view of the fact that the acceleration of the decline is attributed to trade depression, and the period under consideration will open with prices below their economic value, so that some improvement in trade conditions can reasonably be anticipated during the year

SECTION III LADIES' FANCY HANDBAGS

Year	Sales	Number of Transactions	Average Check	Average Stock at Selling	Stock Turn	Mark Up on Selling	Gross Profit on Sales	Gross Profit Amount
1926	£ 505	736	£ 16 4	£ 135	44	35	31	£ 154
1927	853	954	15 6	196	43	35	32	282
1928	1 547	1268	1 1 3	287	47	36	33	444
1929	1,015	1044	19 6	331	44	35	30	303
1930	494	627	15 9	306	14	50	24	113

This section shows no particular trend, but merely a reflection of general trade conditions understandable in view of the fact that the goods are in the nature of "luxuries" The retailer has been "caught" with too heavy a stock in 1930 and his sacrifice of gross profit has not been successful in reducing the stocks to depression level

As general trade conditions have to be reckoned with in this section, further consideration must be given to the prospects for

1931 as seen at the end of 1930. A trade revival is overdue but political conditions are unfavourable and over production is discouraging the speculative buying of many commodities. If 1930 could be considered comparable with 1926 as regards general trade conditions one might anticipate a substantial increase in turnover for 1931 comparable with that of 1927 but the two depression years are not comparable. In 1926 trade conditions began to improve after the failure of the general strike in May the results for the year therefore included a period of partial recovery. On the other hand in 1930 the trade depression became worse in the latter part of the year.

Considering
Trade
Prospects

In dealing with businesses affected by general trade conditions this practice of considering the trend *during* the year as well as from year to year is vitally important as years which show similar figures may have experienced movements in opposite directions and the position at the end of the particular years would then be entirely different.

Studying the
Trend During
the Year

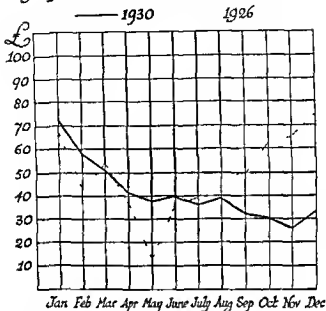
To facilitate the study of trends during the years graphs based upon the monthly sales figures will be very helpful. A comparative graph of this kind is illustrated on page 156. Seasonal influences such as Christmas trade in luxuries must be borne in mind in studying the trend of business.

In the case of the ladies handbag example to forecast a repetition of the 1930 figures would be predicting some measure of recovery in 1931 from the low level at the end of 1930 and this may be the most favourable forecast that the retailer feels justified in making. The forecast is therefore—

Year	Sales	Number of Transactions	Average Check	Average Stock at Selling	Stock Turn	Mark Up on Selling	Gross Profit on Sales	Gross Profit Amount
1931	£ 494	627	£ 13 9	£ 206	24	30%	24%	£ 118

The expenses of the business as a whole show a steady upward trend during the period under review and an average increase of £75 per annum a continuation of which would bring the expenses for 1931 to £1 859

Graph of Sales Turnover



The retailer may therefore summarize his forecasts as follows—

FORECAST OF TRADING FOR 1931

	Sales	Gross Profit		Expenses		Loss	
	£	£	Per Cent on Sales	£	Per Cent on Sales	£	Per Cent on Sales
Cases	4,020	881	22	1,175	29	894	?
Trunks	1,854	519	28	549	29	81	1
Handbags	494	118	24	144	29	26	5
	£6,368	£1,518	24	£1,869	29	£341	5

This gives the retailer his basis for the planning of his turnover and for calculating the probable effect of the steps he may take to correct the unsatisfactory conditions disclosed by the trading results

It should be recognized that such forecasts are merely common sense, systematically applied and expressed in figures. They are only estimates, but they are a desirable alternative to blind guesswork. The question of whether or not they will be proved by results does not arise as such forecasts are nearly always a preliminary to adjustments of policy and practice which should have the effect of guiding the results towards given targets.

Advantages
of
Forecasting

A great deal of the benefit of forecasting comes from the information gained and points raised in making the forecasts. In making allowances for local developments it may be impossible to forecast the influence on business that the opening of a new competitive shop or neighbouring cinema may have but the retailer does take such developments into consideration and will at least make a mental reservation for them in preparing his forecasts with the result that they will be taken into account in deciding the policy and methods to be adopted in the ensuing year and in fixing the targets. Most new developments are likely to have an adverse effect upon the retailer's business unless he takes steps to counteract or profit by them, hence the advisability of inclining towards pessimism in forecasting.

The retailer must have faith in his own forecasts and expect them to be reflected in results unless he varies his policy or practice hence he must not anticipate any improvement unless he takes steps to ensure it. This seems obvious enough, yet many retailers regularly target for substantial improvements without making any attempt to achieve them.

No Target
Improvements
Without
Justification

Improvements must be organized as well as planned and the organization must be thorough. For example if increased turnover is planned and steps are taken to attract new customers stocks and staff may have to be augmented. Alternatively if stocks and staff are augmented in anticipation of increased turnover the new business must be ensured by practical sales promotion work otherwise the plan will merely lead to an increased burden of expenses. Far too many retailers target their expenses in relation to sales and profit targets that cannot possibly be achieved and this has led to the failure of a number of important businesses.

Another very important point in planning improvements is the

date upon which the steps taken to ensure them will begin to have effect. If the benefit of an alteration may not be felt until some time after the beginning of the year, a full year's benefit must not be anticipated. For example, if it is decided to stop an item of expense which amounts to £400 per annum and the saving will not be felt until three months of the year have elapsed a saving of only £300 must be anticipated. This shows the importance of planning sales turnover well in advance.

Where an unsatisfactory internal condition exists such as the accumulation of slow moving stocks, clashing between sections of the business, unprofitable cut price business or extravagant expenditure, it may be most unwise to attempt wholly to remedy the trouble in one year. It may take a year to eliminate the cause of the trouble and several years to recover from its effects.

This obviously applies to the trunk store which has been used as an illustration. In this case the retailer has to undertake the following tasks: (1) to reduce his expenses to an amount which the business can afford in times of depression, say £1,500 per annum; (2) to stabilize his mark ups on new goods at a percentage that will permit of substantial mark downs, say 33 per cent mark up on selling; (3) to stop price cutting in the Cases section and eliminate cheap lines which clash with the better-class goods; (4) to mark down his slow moving trunks and handbags in order to clear them and make room for fresh stocks.

In order to accomplish these tasks it will be necessary for him to look upon 1931 as a year of stabilization rather than of extension.

He will certainly have to sacrifice the forecast increase in the sales turnover in cases in view of the necessity of stopping price-cutting and cutting down expenses.

He may therefore decide upon the following targets for 1931—

	Sales	Number of Trunks sold	Average Check	Average Stock at Selling	Stock Turn	Mark Up on Selling	Gross Profit on Sales	Gross Profit Amount
Cases	£ 3,500	5,000	£ 14	£ 850	4.1	% 33½	% 25	£ 875
Trunks	3,000	1,400	14.7	2,000	2	33½	25	500
Handbags	500	600	16.8	250	3.5	33½	25	125
Totals	7,000	7,000	£ 17.8	£ 1,000	3	33½	25	£ 1,500

and target his expenses at £1 500 so that the business just pays its way for the year

This plan permits of substantial mark downs on old stocks and should put the business on a very sound basis for 1932 when by holding the mark up on new goods at 33½ per cent on selling and targetting for a more normal gross profit Foresight of say 30 per cent on sales satisfactory profits should be made There is the added advantage that if 1931 brings any measure of trade revival the sales targets are likely to be improved upon to a considerable extent and the business in new goods will carry the full 33½ per cent gross profit on selling

It must always be borne in mind in targetting that stock marked down attracts one class of customer and fresh stock attracts another so that there is some advantage in having both marked down and fresh stock to offer although of course the two classes of stock would not be featured at the same time

In view of the importance of studying ways and means in targetting it may be helpful to review in this chapter the means which the proprietors or management of a retail business have at their disposal for the purpose of influencing the trend of business The points of control may be summarized under the following headings—

Buying and Stocks
Price Fixing
Service to Customers
Lay out of Premises

External Relations
Personnel
Expenses
Sales Promotion

Controlling
the Trend of
Business

Control of
Buying and
Stocks

The management may regulate the purchases of merchandise by keeping the buyers to sanctions as described in Chapter V It is then a simple matter to increase or curtail the purchases made for a particular department and to allocate the purchasing power of the business over the departments in the way that will be of the greatest advantage to the business as a whole Control of buying incidentally controls stocks, because stocks may be built up by supplementing the sanctions for purchasing and cut down by curtailing the sanctions

Great care must be exercised in controlling buying and provision must be made to meet sudden trade developments otherwise there will be danger of departments losing the benefit of an unexpected

rush of business because they have inadequate stocks, and there may also be danger of departments faced with a sudden drop in turnover building up heavy stocks

It is the usual practice for a department store to fix targets for the average stock of each department and ask the buyers to aim at the targets in regulating their purchases. Where "sanctions" are in operation these will be calculated to keep the buyers' stocks in the neighbourhood of the targets. If the stocks vary very considerably during the year, owing to 'seasonal' fluctuations in trade, a separate stock target should be prepared for each season.

In fixing the stock targets, the management will be spreading over the departments the amount which they consider should be invested in stocks by the business as a whole, having regard to the capital tied up and the sales turnover expected. This aggregate stock target must not embarrass the business financially and the relation of the target stock figures to the target sales figures, i.e. the target stock turn, must be feasible. It will be advisable for the management not to allocate the whole of the aggregate stock target at the beginning of the period, but to keep back a substantial amount, in 'reserve,' to be used in giving monthly supplements to departments doing well, and to provide for special purchases by departments receiving large orders or contracts unexpectedly.

The relation between the target of sales, target of gross profit, and target of stocks will give the target of purchases. For example, if a department is given targets of £6 000 sales, £1,500 gross profit on sales and £1 000 stock at cost, and its existing stock is £500 at cost, the target for purchases is £5 000 at cost, i.e. £4 500 to cover the target sales and £500 to cover the target increase in stocks. In dividing the target purchases into monthly sanctions, consideration must be given to seasonal fluctuations in trade and also to bargain sales and other special events. These fluctuations must therefore, be estimated and the dates of the special events must be settled before the sanctions are allocated.

The buyers or heads of selling departments should be in the best position to anticipate seasonal fluctuations, and say when events should be held but the steps taken to profit by the seasons, and the departmental events, must be co-ordinated to fit

into the general campaign and to avoid clashing. For example it will be undesirable for one department to be holding a clearance sale of out of date lines while a neighbouring department is holding a new fashion week.

Departmental
Managers
Selling Plans

It is therefore the practice in many department stores to ask the buyers to submit their own draft plans for the coming year or season covering only their particular department. These plans are considered by the management in relation to the general plan of campaign and targets and altered where necessary. They then form the basis of the sanctions for

DEPARTMENTAL MANAGER'S SELLING PLAN

Department

Sports Goods

First Half 1931

Month	Events Suggested	Estimated Sales	Purchasing Sanctions Desired at Cost
January	<i>Winter Sale Jan 5th to 24th</i>	£ 550	£ 400
February	{ <i>Billiards Week Feb 9th to 14th</i> <i>Bridge Week Feb 23rd to 28th</i> }	400	250
March	{ <i>Club Week March 9th to 14th</i> <i>Easter Holiday Show March 23rd to April 11th</i> }	500	350
April	{ <i>Tennis Week April 6th to 11th</i> <i>Cricket Week April 20th to 25th</i> }	450	300
May	{ <i>Whitsun Holiday Show May 18th to 30th</i> }	600	400
June	{ <i>Bowls Week June 8th to 13th</i> <i>Aquatic Sports Week June 22nd to 27th</i> }	450	300

Date

15th December 1930

*H Bellamy
Manager*

purchasing A 'Departmental Manager's Selling Plan' is illustrated on page 161

Where all buyers' orders to suppliers are countersigned by a merchandise manager he will be able to supervise the class of goods purchased and see that the policy of the management is being carried out by the buyers. If it is desired to improve the tone of a department, he will query purchases of cheap goods and if it is desired to popularize a department he will query purchases of expensive goods. In some shops so much importance is attached to the class of goods stocked that the merchandise is divided into grades, according to quality and price, and separate purchasing sanctions and stock targets are given for each grade.

The management may fix targets for average mark ups, and supervise the selling prices and mark ups by watching the Selling Instructions upon which both the selling and cost prices are shown. See page 87.

By increasing the target mark up they will be able to show larger profits on selling and by decreasing it they will be able to make the prices more attractive to the customers.

If copies of the Selling Instructions are sent to the counting house as they are issued they can be watched from day to day, and any instructions which are not in accordance with the policy and target mark up can be queried with the buyer and, if necessary, countermanded through him before any of the goods are likely to have been sold.

Targets may also be fixed for gross profits and sacrifices of gross profit, in the form of 'mark downs', can be supervised by watching the copies of the Alterations in Selling Price Instructions, in which full particulars of the sacrifice are given to the counting house (see page 117). Here, again, the management is in a position to stop any reduction which the buyer is unable to justify. Waste and breakages in the departments can be followed by watching the Waste Notes (see page 115), and any unreasonable loss can be made the subject of an inquiry.

Price concessions to customers may also be the subjects of special reports (see page 145), so that the buyer's movements can be followed closely and any objectionable concession can be queried with him.

The relation of the target mark ups and target gross profits fixes the target mark downs, for example, if the target mark up is $33\frac{1}{3}$ per cent of selling price (50 per cent on cost) and the target gross profit is 25 per cent of sales ($33\frac{1}{3}$ per cent on cost), the target mark down is $12\frac{1}{2}$ per cent of sales ($16\frac{2}{3}$ per cent of cost) By totalling the mark downs and the sales for any period, the management can see how the actual percentage of mark downs to sales compares with the target

Watching
Mark Downs
and Gross
Profits

Mark downs may be encouraged with the object of clearing slow-moving stocks and increasing sales turnover, or discouraged with the object of building up stocks and maintaining profits If the buyers are made to submit lists of old stock (see page 141) this will enable the management to criticize existing selling prices on old stocks and, if necessary, instruct the buyers to make further reductions

The gross profits actually achieved are not quite so easily followed during the trading periods, but special interim trading accounts can always be prepared if there is reason to suspect a serious deviation from the target gross profit Buyers will usually be judged in the long run by the gross profit balances of the trading accounts for their departments and their remuneration may be largely by way of commission on the gross profits, so that the management is in a position to ensure that the buyers will give proper attention to this vitally important matter

The management has power to vary the facilities offered to customers in direct or indirect connection with their purchases or to alter the terms upon which such facilities are offered In a time of depression a wealthy shop may obtain increased business by encouraging customers to buy on credit or hire purchase terms, whereas a shop with weak finances may have to pursue the opposite course and discourage credit and hire purchase Similarly, a shop which in normal times encourages its customers to have small parcels delivered by vans may, in times of depression encourage them to take such parcels with them, the object being to permit of economies in the number of dispatch employees

Service to
Customers

Big stores usually devote a considerable amount of space to tea rooms, post offices, reading and writing rooms, lounges, libraries,

lavatories hairdressing saloons telephone call offices, theatre and coach booking offices inquiry bureaux, and other "facility" departments which may contribute little or nothing to the profits as compared with what a selling department could earn in the same space. Such departments bring customers into the store and may therefore, be a very important factor in attracting customers from country districts or in fighting close competition (especially in competing with the price-cutter—who cannot afford unprofitable departments), as they give better-class customers nearly all the advantages of having a club in town and make them disinclined to compare the prices with those in less hospitable shops.

A shop which desires to improve its class of business may, therefore extend its facility departments whereas a shop anxious to reduce its expenses and increase its earnings is likely to cut them down. In some cases a management seeking more revenue may be able to turn a facility department into a profit earning department by increasing the charges to a profitable level.

In a large shop or store the potential sales value of some floors, rooms or sections of showrooms is very much greater than others.

Although lifts staircases guides, and direction signs may make it easy for customers to reach any part of the showrooms some departments must be more conveniently situated than others from the customer's point of view and convenience to customers means sales opportunities.

The amount of floor space placed at the disposal of a department will also have a very considerable effect upon its sales, as the provision of ample space means that a wide range of merchandise can be displayed customers can be made more comfortable, and salesmen will have plenty of room to move about and exercise their persuasive and demonstrative abilities without the distraction of other conversations or service operations going on near by.

Buyers will therefore be in competition with one another for the most favourable positions and for more and more floor space, and it will probably be impossible to satisfy everyone.

The allocation of floor space to departments must be left to the discretion of the management, and in laying out the premises and arranging the departments, or in making alterations in the arrangement and boundaries of

departments, they have an opportunity of giving the most favoured positions and the greatest floor space to the departments they desire to expand, and to deal less generously with departments whose expansion is not considered to be desirable at the time

Floor space allocations and stock targets have some relationship, because an increased stock target will nearly always bring a demand from the buyer for more space, and an increased space allocation may be expected to bring a demand for a higher stock target. Some retailers consider that the best way to make a buyer reduce his stocks is to cut down his floor space.

The moving or "reshuffling" of selling departments is an expensive and inconvenient process and changes in lay-out are annoying to regular customers, but these objections often have to be overruled in the dire necessity of relegating some department that is waning in popularity through a change in public taste, and bringing forward some thriving department that is being handicapped by unfavourable situation or inadequate space. There are times when a business can be saved from failure by a re-arrangement of departments.

The management may find it advantageous to move a department in order to bring it into proximity with another department that will help it, or to remove it from a department that is injuring it. For example, in a number of big shops, the basement houses the inexpensive or "bargain" departments and, therefore, draws the working-class customer, and the upper floors house the fashion departments and, therefore, draw the better-class customers. In such shops, a department may be "popularized" by being sent downstairs or improved in tone by being sent upstairs.

As a further example since the War several department stores with more or less distinct sections for men and women customers have found it advantageous to move their sports' goods departments from the men's section into the women's section, owing to the mass entry of women into nearly all fields of sport.

The sales value of different positions cannot always be judged by the results of the departments occupying them, as the departments may not be making the most of their opportunities. In some stores, therefore, the management arranges an occasional "census" of customers, stationing employees at such points as doors, lifts, or staircases to count

Moving
Departments

Census of
Customers'
Movements

the customers passing during the day. The number of sales transactions in each department during the day is then ascertained and a plan similar to that illustrated on page 167 is drawn up, the movements of customers being indicated by arrows and numbers and the transactions by numbers after the name of each department.

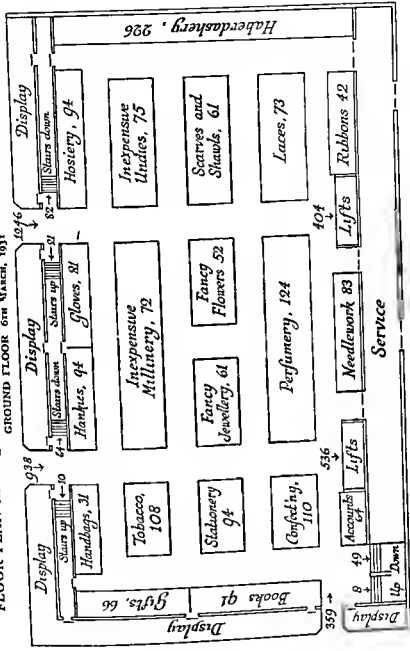
The management may be in a position to enter into co-operative agreements or pacts with other businesses with the object of avoiding direct competition, introducing customers economizing on service operations, maintaining selling prices and profits, stopping undesirable concessions to customers, buying collectively to mutual advantage and co-ordinating or avoiding clashing in selling events. As an instance of a pact to avoid direct competition between retailers, one may find the leading furnishing store and the leading drapery store in a town entering into an agreement, the furnishing store undertaking not to sell drapery and the drapery store undertaking not to sell furniture. Such a pact makes the two businesses friends instead of enemies and having divided the potential business amicably between themselves, they can proceed to co-operate in other ways, exchanging names and addresses of customers and answering one another's questions regarding applicants for credit or would-be employees.

Agreements to maintain selling prices may be made by a number of local retailers who have impoverished one another in a price cutting war and at last have had the good sense to get together and draw up a set of minimum prices, agreeing not to cut them in any circumstances. The agreement covering such an arrangement may provide for fines to be paid into the pool by any signatory who sells below the minimum prices.

Retailers may also agree between themselves to stop the offering or granting to customers of unreasonable or objectionable facilities in regard to long credit, easy hire purchase payments, discounts, concessions, free gifts or free delivery.

Retailers operating in the same business in neighbouring towns and therefore not in direct competition may establish a central buying office to make collective purchases for distribution amongst them. Such an arrangement will enable the retailers co-operating

FLOOR PLAN showing movements of Customers and number of Transactions
GROUND FLOOR 6TH MARCH, 1931



to open a buying office in the best buying centre, to employ buyers of a much better type than they could individually afford and to earn quantity discounts and other concessions from suppliers, by reason of the increased purchasing power which comes from collective bargaining

Co operative
Buying

Co-ordination of selling events may enable a group of local retailers to stage a much greater attraction to the public than their individual efforts could accomplish, and at the same time save them all a proportion of their advertising and selling expenses. For example, if the local drapers can all arrange to hold their sales at the

Co-ordination
of Selling
Events.

same time, it will be a convenience and attraction to customers coming in from a distance and will enable the sales to be held at the most favourable time and limited to a few days. All the trouble and expense of retailers starting their sales too early in order to get ahead of competitors or continuing them for an indefinite period, at very great expense, in order to cover the period of their competitors' sales, will be avoided.

In other cases, retailers may agree not to stage competitive events during each other's 'fashion parade weeks' or other special events.

During the last few years retailers have shown more readiness to co-operate with one another to mutual advantage and it is to be hoped that as the benefits of co-operation become more widely appreciated there will be more friendly rivalry on constructive lines and less spiteful and destructive competition.

The management will probably direct the buyers as to the general rules to be followed in their relations with suppliers, for example, whether supply contracts are to be entered into or whether or not goods are to be obtained on approbation or sale or return. They may also have reason to prohibit buyers from dealing with certain unfriendly suppliers or to recommend them to give preference to certain suppliers who have proved their friendship by introducing business, or giving financial assistance in times of difficulty.

Relations
with
Suppliers

The management will also be called upon to give the buyers authoritative guidance when important agencies, selling rights, or supply contracts are under consideration.

The personal element is still strong in business and must always be taken into account in reviewing, forecasting, or budgeting results.

If a department is successful and the success is attributable to the skill of the buyer the management may increase his scope by enlarging the department or bringing other departments under his supervision. On the other hand if a department is a failure and the failure is attributable to the buyer's inefficiency or lack of enthusiasm the management may think it wise to replace him. Personnel

In some department stores the management is prone to attach blame to individuals rather than circumstances. Change the buyer appears to be their remedy for all unsatisfactory conditions and when there is some sound reason for a department continually failing to meet its targets long processions of new buyers aggravate the trouble and delay the application of the correct remedy. Changing the Buyer

There are other stores which show too much leniency with inefficient or irresponsible buyers and allow irreparable damage to be done before they overcome their dislike of staff changes. In many cases this may be attributed to a reluctance on the part of the management to admit mistakes made in selecting buyers. Even the most astute principals sometimes pick a loser in appointing executives but unfortunately some of them feel that their own prestige would be affected if they admitted their mistakes.

Buyers as a class are far from versatile. Most of them have their own methods of conducting a department and success or failure depends upon whether or not their methods are suited to the conditions. If a buyer's methods prove unsuccessful and the management dictates changes of method he may be quite incapable of carrying out the new plans. Where this proves to be the case the management has no alternative but to eliminate the buyer at fault and either put the department under the control of some existing employee whose experience and ideas are in keeping with its plans or bring in a new man with the necessary qualifications. Conservative Buyers

In order to improve the class of business in a department it may be necessary to transfer salesmen from better class departments or to bring in new salesmen used to better class business.

Staff Control is dealt with fully in Chapter XII

Staff salaries represent one of the heaviest expenses of the average retailer and in times of depression it is usually the first expense

to feel the economy axe. There is a tendency to take on any promising recruit when business is good and weed out the failures when business is slack.

Departmental Staffs In building up departmental staffs or cutting them down, the management has a further opportunity for discriminating in favour of those departments which are showing the best returns, or those which it is desired to improve.

By holding the purse strings of the organization, the management should have a very effective check upon the operations of its executives. Not only staff salaries, but also advertising, display, premises maintenance, stationery, dispatch, transport and many other expenses give scope for extravagance. Some executives have the gift of making a little money go a long way while others appear to have no idea of the value of money or the relation of expenses to gross profits.

Control of Expenses Most departmental managers have an exaggerated idea of the importance of their department, which may lead them to build up an unnecessarily large staff and to incur other expenses out of proportion to their importance. Selling departments often press the managers of the staff, premises, display, advertising, dispatch, stationery, and other service departments with unreasonable demands for service and unless a tight rein is held by the management there is danger that these service departments will yield to the pressure and fall into extravagant ways. This is the secret of many failures in the retail world. It is therefore important for targets to be set for all classes of expenditure and for the spending departments to be given 'sanctions' for spending just as the buyers are given sanctions for buying. This is known as "budgetary control". The operation of such sanctions is dealt with in Chapter XVIII.

"Sales promotion" methods used to obtain increased turnover, may be divided into three groups (1) *Advertising* covering Press publicity, posters and signs, catalogues, leaflets, and direct postal messages to prospective customers, (2) *Display* covering window and interior displays, exhibitions, and showcases in public places, (3) *Salesmanship* covering sales persuasion and demonstration by salesmen, canvassing for orders, and the tactful handling of inquiries and complaints. These three groups are the subject of three special chapters which follow the present one.

All of these sales promotion activities necessitate expenditure, which may be recovered many times over through increased business if they are carried out efficiently and at the proper time. In budgeting for its expenses, therefore, it will be for the management to decide how much can be spent on sales promotion and to earmark a definite sum for the purpose, which amount can later on be allocated in sanctions to the persons entrusted with the carrying out of the various sales promotion programmes. In this respect sales promotion expenses do not differ from any other class of expenses, except that it may be necessary to reserve a very substantial proportion of the sales promotion expenses target for 'topical' or emergency advertising.

Advertising, displays, and salesmanship may be used to attract a particular class of customer to the shop or to direct the patronage of customers into certain channels or in favour of particular departments or lines, and they therefore give the management an opportunity of altering the 'class appeal' of the shop, or discriminating in favour of departments or lines which they desire to feature. Such alterations or discriminations are not to be undertaken lightly, as advertising, in particular, is a very powerful force which will do just as much harm if wrongly applied as it will do good if properly applied.

Guiding the
Customers
Patronage

If the management instructs the advertising and display managers to give preference to the goods of a certain department, they must be prepared for that department to expand indefinitely and probably to take business from other departments in doing so. On the other hand, if the advertising and display men are instructed to stop featuring a certain department, the management must be prepared for a substantial reduction in sales turnover in that department, accompanied by the danger of stagnation and of stocks becoming unsaleable.

Managerial "guidance" in any matter of buying, stocks, prices, service to customers, floor space, external relations, expenses or sales promotion may amount to interference with the normal working of a department, and the management must be quite certain that it is interfering for the good of the business and not to its detriment. There is need for tact and consultation even in the case of minor executives, who

Managerial
Interference

may see very good reasons for not doing as the management suggests or have a very attractive counter suggestion to put forward, but be afraid to speak in face of a *definite and imperative command*

In any case an executive will carry out instructions in a much better spirit if he feels he has played some part in the framing of them

CHAPTER IX

ADVERTISING

THE majority of ambitious shopkeepers use advertising to bring new customers to their shops or to keep their names before the buying public. There are notable cases in which shops have worked up from small beginnings to very large sales turnovers without advertising their success being due solely to the merit of their service to the public but it takes a long time for a shop to become widely known without advertising and it may be suggested that shops which have achieved success without advertising would have enjoyed earlier and greater success had they used advertising to draw attention to the merit of their service.

Advertising alone cannot make a shop successful there must be good service behind it or in other words advertising is only successful when it is used to draw attention to good service.

The trade of the average shop is essentially local i.e. limited to the custom of the people who find the shop in the most convenient position for them and one of the purposes of advertising is to extend this area of influence so that people interested take the trouble to come to the shop although it may not be the most convenient for them.

Purposes of
Advertising

Another purpose of advertising is to introduce the shop to local customers interest them in its merchandise and trading methods and invite them in attempting to remove any barrier of nervousness ignorance or prejudice which may be keeping them away.

Advertising may also be used to bring new lines or new ideas to the notice of persons who may be occasional customers so as to revive their interest in the shop and lead them to visit it more often.

It will be understood that in all these cases the advertising is attempting the none too easy task of influencing people to form new shopping habits or to spend money in a different way. By advertising his shop merchandise and service the retailer puts

them into the limelight of publicity and incidentally subjects them to criticism. Every order or visit from a customer that results from advertising is a test of the retailer's service and of the truth of the advertising. If the customers are satisfied the advertising will prove successful and beneficial but if the customers are dissatisfied the advertising will prove unsuccessful and harmful.

These effects of advertising are cumulative because a satisfied customer may recommend the shop and thus introduce other people who might never be introduced to the shop in any other way and a dissatisfied customer may run down the shop and stop other potential customers from giving it a trial.

Advertising costs money and is expected to pay for itself by way of the increased business it brings. If a retailer making 20 per cent gross profit on trading after allowing for expenses directly connected with the sale of the goods spends an additional £100 on advertising he must obtain over £500 of additional sales turnover before the advertising becomes worth while. Every new customer brought to the shop by advertising costs so much money for example if £100 spent on advertising brings 500 new customers they have cost 4s each and in general trading this unit introductory cost is rarely recovered in the gross profit obtained on the customer's initial order. The retailer may have to obtain four or five repeat orders from the customer before he obtains sufficient gross profit to cover the cost of obtaining her patronage so that unless she is satisfied with his service and becomes a regular customer her transactions will result in a net loss to the retailer in cash as well as in goodwill.

In deciding therefore whether or not it will pay him to advertise a retailer has to consider first what he has to offer the public second what the public response is likely to be third what test this response is likely to impose upon his business and fourth how his business is likely to stand the test.

If a retailer is giving better service than his competitors either in the form of greater variety of merchandise better value for money more courteous and helpful personal attention quicker and more reliable deliveries more convenient terms of payment better shopping facilities more comprehensive guarantees or after-sales service or some high degree of specialization he will do well to advertise.

and thus draw attention to his better service and support to his enterprise. Some retailers who have a very good basis for advertising are prone to hide their light under a bushel and either do no advertising or content themselves with timid little advertisements which do not do justice to their businesses. This is not always due to modesty; the retailer may be conceited enough to imagine that everyone in the district knows his business and policy and therefore that there is no need for him to advertise!

The retailer whose business has no distinctive character or special merit is not likely to profit by advertising to residents outside the normal area of influence of his shop because even if his advertising attracts customers from areas normally served by rival retailers his service is not sufficiently distinctive to keep them and they will drift back to the shops which are more conveniently situated for them.

Some retailers make most extravagant claims in their advertising with no regard to the real merit of their service or the disappointment which customers are likely to experience when they test the service. Truth in advertising is now Truth in Advertising accepted as one of the principles of advertising but it is possible to go further and say Modesty pays in advertising. It is far better to have 100 customers attracted by modest advertising and satisfied than to have 1000 customers attracted by immodest advertising and dissatisfied. Customers who would normally be quite satisfied with a retailer's service may be dissatisfied if his advertising has led them to expect something much better.

It cannot be denied that a very large proportion of the advertising published by retailers is immodest and therefore harmful but this is due not so much to boastfulness or any desire to deceive the public as to ignorance of the principles and practice of advertising and inability to give a correct impression of the shop and its merchandise and service. Advertising is a highly skilled profession and if a retailer has no advertising ability and cannot afford to employ professional assistance he will be well advised to leave it alone.

The retailer's advertising broadcast to the public in the news papers on posters and in catalogues and other publicity matter reaches a multitude of people who have never seen his shop and gives them an impression of it which may be correct flattering

or inadequate, according to the efficiency of the advertising. This descriptive power of advertising is well illustrated in the case of the big London stores that advertise so extensively. Their names have become "household words," and people who have never been to London in their lives speak of them familiarly, and have a definite mental impression or idea of each one of them. Years of advertisement reading have taught them that a certain store specializes in good quality merchandise, expensive but reliable, that a second store specializes in new goods and novelties at low prices, that a third store specializes in exclusive fabrics and Oriental merchandise, and that a fourth store specializes in furnishing on "easy" hire-purchase terms. When these people come to London on a shopping expedition, they will go to the store whose advertising has made the most favourable impression upon them, as being the most suitable for their purpose, and their good opinion of the store will either be confirmed or destroyed according to their experience of its service.

There are two kinds of advertising used by retailers: "house" or general advertising, and "merchandise" or specific advertising.

The purpose of 'house' advertising is to give the public a general impression of the shop and its service and to state its policy, whereas the purpose of "merchandise" advertising is to sell certain specific lines. If Browns, the furnishers, publish a picture of their shop with the slogan, "Go to Browns for complete furnishing service," that is "house" advertising, but if they publish a picture of a particular table from their stock with a description and price, that is "merchandise" advertising.

Broadly speaking, merchandise advertising has very great advantages over house advertising from the retailer's point of view, and the vast majority of retail advertising is specific. Effective merchandise advertisements are more easily prepared than house advertisements, much greater variety is possible, and they are far more attractive and interesting to the public. A good illustration of an article, with an apt description, is all that is needed for merchandise advertising, but effective house advertising calls for considerable ingenuity and skill, as it is not easy to make a general statement about a shop interesting to the public.

There are some trades in which the goods dealt in do not lend themselves to merchandise advertising e.g. butchers, fishmongers and greengrocers, so that the retailers, if they advertise at all, are tempted to rely on house advertising, and tell the public of the freshness of their goods, the cleanliness of their shops, the promptness of their deliveries and the fairness of their prices, but even in the trades mentioned a list of recommended joints, fish or vegetables with current prices would probably be far more effective and interesting to the public.

House advertising is most useful in forms of advertising which cannot be topical, for example, advertisements in local guides or 'annuals,' or posters and signs outdoors, as in such cases a line or its price, featured in a merchandise advertisement might be out of date long before the publication had ceased to be current.

There are also occasions on which any shop may be excused for addressing a general announcement to the public for example the opening of a new branch or a new department the completion of 50 years' trading, an important change of policy affecting the service to customers in regard to hire purchase credit, delivery, guarantees, after sales service or complaints or the staging of some important event at the shop.

Care must be taken, however, not to make such announcements too long winded or to repeat them too often as they will bore the readers and may actually irritate them. There is great danger of a house advertisement sounding boastful to the public and therefore creating more antipathy than goodwill. House advertising by retailers in close competition is apt to be spiteful and destructive rather than constructive. For example, house advertising by milliners in close competition may merely consist of attempts to score points off one another and attract one another's customers whereas merchandise advertising of attractive hats may induce local women to buy new hats more often, to the benefit of all local milliners.

There is the further point that the results or returns from house advertising are very difficult to trace. The effectiveness of various merchandise advertisements may be gauged by watching the sales of the various lines advertised, but the influence of house advertising is so indirect that important returns from it may be unrecognized as such, and the harmful effects of an indiscreet or boastful

advertisement may never be attributed to their proper cause. Generally speaking, therefore, merchandise advertising is simpler and safer for the retailer, although he may publish a house advertisement occasionally and introduce a little house advertising—a phrase or "slogan" descriptive of his shop or policy—into his merchandise advertising.

A shop catering for men may use house advertising to greater advantage than a shop catering for women, as the average man pays some attention to it, but the average woman hardly any. The explanation of this is that men are usually conscious of the "business" side of a shop and interested in the management and policy, whereas a woman's interest is usually confined to the merchandise and service. This also explains why women are prepared to deal at any shop in which they can find an attractive article, whereas men may not consider the purchase of an article unless they find it in their favourite shop.

It is important to note that women study merchandise advertisements much more closely than men study any kind of advertisement, and as women do most of the shopping, and suggest or "veto" a good many of their menfolk's purchases, retailers seeking the patronage of both sexes nearly always frame their advertisements to attract the ladies.

It must not be imagined that house advertising is the only form that gives a general impression of a shop. Merchandise advertising indirectly gives the public a general impression because it shows the class of goods sold, and a retailer may be judged by the goods he sells.

One of the pitfalls in retail publicity is the possibility of the merchandise advertising giving a wrong impression of the shop. A shop that only advertises during bargain sale periods—as many of them do—and therefore only advertises cheap goods, becomes known to the public as a shop for cheap goods, and people wanting better-class goods are not attracted to it. In the same way, a furnishing house which continually advertises carpets will become known to the public as a carpet house, and will fail to attract people requiring cabinet furniture.

It follows that when advertising does not correctly represent a shop it will change the nature of the business. If a draper advertised

nothing but millinery for several years his shop would become a milliner's. People would think of it as a milliner's and the main business would be in millinery. The more efficient and successful advertising is the more it influences the shop. Premises stocks staff prices and terms have to be arranged to live up to the advertisements and the majority of the business done will fall within the scope of the advertisements. If a furniture shop continually advertised bedroom suites at prices ranging between £30 and £50 the majority of the suites sold would fall between those two prices because the advertisements would have educated the public to pay those amounts.

*Influence of
Advertising
on a Shop*

This brings out a very important point for the retailer or buyer advertising educates the buying public in regard to the price description and quality of merchandise.

When therefore a retailer is contemplating merchandise advertising or a buyer is asked by the advertising department to select lines from his stock for advertising he should give very careful consideration to the selection. The line or range of lines he selects for advertising will be looked upon as representing his stock and they should therefore be lines which are truly representative. Furthermore the descriptions given to them should voice the ideas of the retailer and agree with his policy.

*Selecting
Lines for
Advertising*

The advertising should only be specialist if the shop is specialist. In other words the advertising should only give preference to certain styles or types of merchandise when it is the policy of the shop to give preference to those styles or types and the stock largely consists of them. This rule is of great importance as a retailer buyer or advertising man can quite unconsciously express his own personal tastes rather than the scope of the business in selecting lines for advertising and the constant repetition of advertisements featuring merchandise with a very limited appeal may do far more harm than good. As an example of this a furniture dealer with a flair for advertising and a taste for the ultra modern is likely to devote his advertising to furniture in the ultra modern style. This will attract to his business people who have tastes in common with him and drive away people with conventional ideas in furnishing. If his stocks are exclusively modern and there is sufficient modernist business to keep him busy the advertising may prove

very successful but if his stocks are mainly conventional and there is little demand for the ultra modern his advertising may ruin him

Advertising is a very powerful force and like all powerful forces it must be carefully handled

A good example of the power of advertising to do harm is seen in the common case of the retailer with a high-class business who advertises cheap goods in order to gain increased turnover Such advertising will absolutely change the class of business because an entirely new and poorer class of customer will be brought in and the original better class customers will either be educated to buy cheaper goods or driven away The retailer must remember that his advertising may educate his customers to pay a certain price for an article If he continually advertises dance frocks at two guineas he will fix that price in the minds of his customers as a standard They will prefer to pay that price and will call any dress priced below two guineas cheap and any dress priced above two guineas expensive The price should not be a dominant feature of the advertisement unless it is an attractive one as large figures suggest bargain prices and distract attention from the illustration or description of the goods If the price is not attractive therefore it should be less conspicuous than the illustration or description

Illustrations of the goods play a most important part in merchandise advertising and it is well worth the retailer's while to pay special attention to them The illustrations are

Illustrations printed from metal blocks or cuts mounted on wood half tone blocks being prepared from photographs or wash drawings and line blocks from line drawings or sketches Half tone blocks give a much better impression of the goods almost equivalent to a photograph when skilfully prepared and printed on smooth paper but it is safer to use line blocks for general purposes especially for local newspapers that are printed indifferently on coarse paper

In many trades suppliers furnish good illustration blocks of their lines to retailers who ask for them Where this is not the case the retailer will be well advised to entrust the photographing or sketching of lines for advertising to a firm of blockmakers specializing in this class of work

The description given to merchandise in an advertisement should be interesting and informative. In most cases the description will have to give the customer certain essential details which the illustration does not convey for example *Describing Merchandise* colours materials sizes and measurements. To this essential description may be added a few words of printed salesmanship pointing out the particular merits of the article or its uses or advantages. For this purpose it is important to use phrases which are informative suggestive and persuasive and which apply particularly to the goods. Such hackneyed phrases as Best quality The latest style Exclusive design New Season's goods Our recommendation Very cheap Cannot be repeated A special bargain and An attractive novelty have become meaningless and should be avoided. The expert advertisement copy writer makes a close study of adjectives and adjectival phrases and uses only those which still have a clear and definite meaning e.g. reliable hand made charming delicious invigorating sturdy smooth running refreshing washable light compact quaint hard wearing uncommon cooling close fitting loose fitting thirst quenching warming cosy.

The advertising media available for the retailer's use are many and varied. Under the general description of Press publicity he can make use of daily and Sunday newspapers local newspapers popular weekly journals monthly *Press Publicity* magazines annual publications time tables guide books directories and other works of reference. Multiple shop companies whose branches are spread all over the country the great London department stores and some specialist shops which serve customers in all parts of the country through the post are able to use the daily and Sunday newspapers and the journals magazines and annuals with a nation wide circulation but the trader whose business is purely local would be wasting money in using them. While it is very gratifying for a retailer to have customers ordering by post from other parts of the country it is not wise for him to spend money on attracting such orders until he has fully developed his immediate neighbourhood by local advertising. He therefore uses the local newspapers magazines and annuals which enable

him to broadcast his offer of service within the limits of his district where it is likely to bring the largest return for the money spent

Local newspapers vary very considerably in advertising value. Some of them are of sufficient importance to carry a retailer's advertisement into the majority of the houses in the district and ensure it friendly consideration the popularity of the newspaper attaching itself to its advertisers whilst others have no advertising value at all being distributed free in varying quantities in a slipshod manner unwanted and unread by the recipients

Retailers who contemplate placing large advertisements or advertising regularly in a local newspaper should ask to see a certificate of net sales and base their estimation of the influence of the paper on the number of copies of each issue bought and paid for by local residents. Circulation figures are valueless as they include copies sent free to local residents who do not want them and sometimes consignments of copies sent to local institutions where the inmates have no buying power. It may be taken for granted that a publisher does not give his newspapers away free if he can sell them and that if local residents are not willing to pay a penny or twopence for a newspaper it has no attraction for them and no influence with them

The comparative cost of space in competitive newspapers should always be considered in relation to the net sales of the newspapers

Cost of Space	It is better to pay £5 for a certain space in a newspaper with an average net sale of 100 000 copies per issue than to pay £2 for the same space in a newspaper with an average net sale of 20 000 copies per issue.
--------------------------	--

An exception to this rule may be made where a minor local newspaper appeals particularly to the class of resident the retailer wishes to approach in which case the use of the specialist newspaper may prove an economy

The varying rates for different positions or pages in a newspaper or other publication will be a guide to their popularity with advertisers and therefore to their advertising value for general purposes but the retailer may find that a certain position or page has especial value for his particular trade. For example drapers and milliners will prefer the fashion page of a newspaper sports goods dealers will prefer the sports page and booksellers will prefer the serial

story page The best positions in a valuable advertising medium are keenly sought after by advertisers and the retailer may have to enter into a contract to take the same space in every issue in order to be sure of having the space when he wants it and to prevent his competitors from following up his advertisements in the same space Substantial discounts can usually be obtained on such contract orders

In any case it is sound advertising practice for a shop doing an all the year round trade to advertise continuously all through the year The effect of advertising is cumulative and it may be a long time before a prospective customer interested by the advertisements has occasion to take advantage of the retailer's offer of service If a retailer advertises regularly he keeps his name before the buying public and if they are interested they are likely to give him a trial sooner or later but if he stops advertising much of this potential business will be lost and a competitor may be able to take up the advertising spaces and reap the benefit Retailers who only advertise occasionally are playing into the hands of those who advertise all the year round Their behaviour may be likened to that of an impatient traveller who half sells goods to a buyer and then rushes away and leaves the order for a more patient traveller to pick up

Cumulative
Effect of
Continuous
Advertising

Another mistake many retailers make is that of repeating the same advertisement in a local newspaper week after week some times year after year It should be understood that people buy newspapers for news and they look for news in advertisements just as they look for news in the rest of the paper In many local newspapers there are standing advertisements which are so familiar to readers that they have become part of the make up of the newspaper and no one pays any attention to them A retailer must be a poor salesman if he cannot give his potential customers some fresh piece of news about his merchandise or business every week Even the fishmonger who so often contents himself with a standing trade card advertisement e.g. John Jones—Fresh Fish Daily—324 High Street can give his potential customers a weekly news bulletin in the local newspaper in the form of a list of fish in season and prices with an occasional recipe for a fish dish

Change
Advertisements
Frequently

Topical interest is a vital factor in Press publicity, and the retailer should make his advertisements express the spirit of the season, or of the event he is staging. At Christmas time his advertisements may convey his suggestions for Christmas presents, Christmas menus or Christmas recreations recommending his own merchandise of course, and Santa Claus, holly, bells, or other conventional Christmas illustrations can be introduced into the lay-out to give a Christmas 'spirit' to the advertisement. In the summer he may make suggestions for summer wear, summer recreations or summer menus according to his trade, and give his advertisements the spirit of summer by introducing sketches or wording referring to summer and his particular goods.

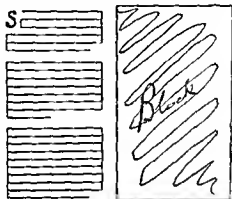
For bargain sale advertising the spirit of rush, and sacrifice of profits may be given to the advertisements. Large bold headings, large price figures, rough sketches and brief wording may be used to give the impression of hurried preparation and the space may deliberately be overcrowded (normally a serious fault in advertising) in order to suggest that the bargains shown are only a few of those being offered at the shop.

The progressive retailer must not expect the average local newspaper to be able to carry out his ideas exactly unless he gives precise instructions as to the lay-out of the advertisement and the types spaces and ornaments to be used. The best way to instruct a newspaper printer as to the lay-out of an advertisement is to prepare what printers call a "dummy" by taking a sheet of paper marking off the exact size and shape of the advertisement space booked and then roughly sketching in the lay out of the various headings illustrations, and sections of text details of which can be given on separate sheets. A "dummy" of this kind is illustrated on page 185. It is important to prepare the dummy in the exact size and shape of the advertising space, as this enables the printer to take his measurements from it.

Even with this guidance the local newspaper office may not have the types or skill required to carry out the retailer's ideas and, in such cases it will be advisable for him to send his instructions to a large printing office specializing in the composition of Press advertisements, where his ideas will be carried out by experts with a comprehensive range of equipment. They will make a "stereo" or block of the completed advertisement, so that all the local

newspaper has to do is to put it on the press. Local newspapers usually give a discount to advertisers who supply their own printing material, and this will offset part of the cost of composition by specialists.

Raincoats



Brown & Co.

Although originality pays in advertising it is a mistake to complicate the announcement by introducing fantastic puns, rhymes, designs, or sketches, which have no relation to merchandise, business, or the season, as many retailers do.

Irrelevant
Advertising

In advertisement design, lay-out, and copywriting, simplicity is power, and it is, therefore, advisable for a retailer to make his advertisements so simple that a child can understand them and their message can be conveyed to the reader in a few seconds. The success of merchandise advertising, with just a simple

illustration description and price of the goods, is largely due to its simplicity. Making another comparison between advertising and personal salesmanship the retailer who wastes advertising space with irrelevant illustrations or text may be likened to a travelling salesman who wastes valuable time, at interviews with buyers, in gossiping and telling funny stories. "Stick to business" is an excellent slogan for the advertiser and the travelling salesman.

Competitions, contests and similar advertising "stunts" may be objected to on the ground that they do not create normal business.

New customers introduced by such schemes do not come in the normal buying mood but in a "get rich quick" or "get something for nothing" mood, and their orders are not therefore, a proper trial of the retailer's service. The only goodwill built up by competitions for valuable prizes is with the few people who win the prizes and since a very large number of people must be disappointed in this respect and may nurse grievances, the general effect upon the retailer's goodwill is far from beneficial.

This objection does not apply so strongly to "free gift" schemes in which any customer who buys a certain number of articles, or spends a certain sum of money in a given period or introduces a certain number of new customers, is given a present, as no one need be disappointed in the operation of such a scheme. Schemes of this kind have been used for many years by some retailers, with moderate success, and are commonly promoted by suppliers in the tobacco confectionery, and grocery trades. It must be borne in mind however, that such schemes cause a good deal of work the cost of the articles given away must be provided out of the amount "sanctioned" for advertising and a considerable amount of advertising must be devoted to the schemes. A retailer contemplating a free gift scheme of his own must therefore consider whether the same amount of trouble and expense devoted to ordinary merchandise advertising would not bring the same or even better results.

Suppliers'
Publicity
Schemes

The retailer must also exercise caution in participating in a competition or free gift scheme promoted by an unimportant supplier as such schemes are often used to establish inferior goods on the market, and if the scheme "fizzles" out the retailer may be left with stocks of unsaleable goods.

In some trades a retailer may benefit by co-operating with suppliers of proprietary articles in the advertising of their goods. Suppliers may be willing to pay a substantial proportion of the cost of an advertisement in a local newspaper in which the retailer offers their goods or to mention the retailer's name in their own advertisements.

The retailer may also use what is known as outdoor publicity by arranging for posters and signs to be exhibited on the hoardings in the district on the sides or interiors of buses and trams the sides of carriers vans on the railway stations or beside the permanent way or on the subways and platforms of the underground railways. Advertisement panels may be placed in the underground lifts railway carriages and post offices small but effective advertisements may be printed on the backs of bus and tram tickets electric signs may be erected at busy centres in the town and sandwich board men may be set to parade the streets.

Outdoor
Publicity

People do not study posters as they study newspaper advertisements—the poster's story must be taken in at a glance—and the posters should therefore only carry a brief message or slogan and a simple illustration. Most outdoor publicity by retailers takes the form of house advertising just the name of the business with a slogan and possibly a picture of the shop but in some cases very effective merchandise advertisements can be issued on posters as good illustrations in natural colours can be used. Three-colour posters are relatively expensive however and the expense prohibits their use by retailers except in the case of regular trading lines where the posters can be printed in large quantities and left on the hoardings for several months.

Booking spaces on hoardings owned by billposting contractors is just as easy as booking spaces in newspapers and there is the same variation in rates according to the size of space occupied and the importance of the position. Under the customary form of billposting contract the contractor agrees to exhibit so many of the advertiser's posters on sites of a certain standard of importance for so much a week and to maintain the posters in good condition and renew them as required. The advertiser has to supply the contractor with a sufficient quantity of posters to cover the original posting and renewals.

Billposting
Contracts

Poster production is a highly specialized form of printing, and the retailer will be well advised to entrust his work to a firm specializing in poster printing who will be able to carry out all the necessary art work and colour planning

Press and outdoor publicity are both 'indirect' methods, inasmuch as the advertisement is broadcast to the public at large in the hope that it will be seen by prospective customers

A more direct method of reaching prospective customers is offered by postal publicity—sending circular letters post cards catalogues,

Direct Mail Publicity	price lists, house magazines pattern books and samples, booklets folders, leaflets calendars, blotters, diaries and other printed matter, or "sales literature,"
--------------------------	--

to people who are likely to be interested. Retailers usually "broadcast" their sales literature through the post by taking names and addresses from the current local directories. Where a retailer wishes to send printed matter only to a particular class of resident or to send different literature to different classes of resident, he may classify the local residents by the streets or districts in which they live. Retailers wishing to concentrate on the better-class residents often use the telephone directories, because the existence of a telephone in a private house is some evidence of means.

There must obviously be a considerable amount of 'waste' circulation in broadcasting literature in this way, and, although this

Obtaining Names and Addresses of Customers	may not deter the retailer when he is sending out inexpensive leaflets or circulars he may wish to limit the distribution of such expensive items as general catalogues, booklets or calendars to residents who
---	---

are known to be customers or potential customers of his shop. If he gives credit he will have the names and addresses of his account customers on his sales ledger account headings, and he can address envelopes for publicity distribution from these headings, or tick the names and addresses of these customers in the local directories which are used for circularization purposes. If he employs roundsmen they may be able to go through the local directories and tick the names and addresses of the residents who are customers or potential customers.

Where goods are delivered to customers their names and addresses will be given on the sales checks and the directories can be ticked up from them. Many retailers make out the envelopes for circulars

directly from copies of old sales checks but this results in several copies of the same circular being sent to regular customers which is both annoying to the recipients and wasteful. Retailers who wish to obtain the names and addresses of their cash and carry customers will have to use a little ingenuity. It may be accomplished by offering to send a free sample of a new line to any customer who leaves her name and address.

As an alternative to ticking the customers and prospective customers' names and addresses in the local directories some retailers build up a mailing list in card index form with a separate card for each customer. This method has great advantages for the retailer whose customers are scattered over a wide area and therefore over a large number of directories and it also permits of circulars or special letters sent and orders received being noted on the card. A specimen mailing list card is illustrated below.

Mailing
Lists

MAILING LIST CARD

<p><i>Mrs A Robinson</i> <i>426 Court Road</i> <i>Bigtown</i></p>					
Date	Literature	Order	Date	Literature	Order
1931 Jan 1	Sales Catalogue	£ s d 3 1 6	1931 May 15	Sports Govt	£ s d 2 13 6
5			18		
Feb 6	Easy Chairs				
Mar 5	Decorations				
Apr 2	Spring Fashions				
13		10 10			
20		3 7 6			

For the retailer whose business is concentrated in the area of one or two local directories however the directory method is better.

because every time a new edition is published the "ticks" can be 'carried forward' into it and the names of any residents who have left the district will automatically disappear. In some districts the number of removals each year amounts to as much as 10 per cent of the number of residents so that "dead" names and addresses would rapidly accumulate on a card index mailing list, and make for a considerable proportion of waste circularization. The directory method also enables a retailer to visualize the distribution of his customers. If he finds that he has a number of customers in a particular street or suburb he may think it worth while to circularize all the residents in that street or suburb, as his shop is evidently conveniently situated for them and he may presume that his local goodwill is highest in the districts where he has most customers.

The rules governing the production of Press advertisements apply equally to sales literature. There is the same need for simplicity, attractiveness and news' interest. Although circulars have the advantage of direct approach, they are not always welcome and, in most cases, they must interest the recipient *at first glance*, otherwise they are doomed to go into the waste paper basket unread.

**Production
of Sales
Literature**

Sales literature offers the advertiser a variety of form and colour which no Press advertisement can give, and there is the further advantage that on smooth surfaced paper half tone blocks can be used but it is important to note that the advertiser's offer or message is the important thing and that form colour and design should merely be used to express that offer or message. In other words, the offer or message should be decided first and ways and means of expressing it in print should be considered afterwards. A great deal of money is wasted by retailers who decide the exact form and colours for an item of sales literature—probably copying someone else's idea—and then wonder what to say in it with the result that the finished article is merely a confusion of ideas with no definite purpose or advertising value. This is just as foolish as a woman buying a remnant at a bargain sale and then wondering what to do with it.

The experienced advertiser will decide first what goods he is going to offer or what message he is going to convey to his potential customers, and then get a printer specializing in this class of work to submit alternative suggestions for the form which the sales

literature is to take The effect of this is to keep the sales literature simple and powerful, and avoid 'padding' or matter introduced merely to fill up space It is a measure of economy to go to a printer specializing in the production of sales literature, as the average local printer has not the experience, knowledge, craftsmen, machines nor type required for the work Nearly all specialist printers will submit suggestions and quotations without charge and this service is of great value to an inexperienced advertiser Furthermore the specialist printer can usually charge less than the local printer for the same quality job, because of his more up-to-date equipment and, in expressing the retailer's message more simply he will be saving him unnecessary expense

Subject
Before
Design

It must not be imagined that an expensive booklet will command more attention than an inexpensive leaflet or folder The leaflet or folder is the better medium if the retailer's offer or message can be expressed in it, and a booklet is only necessary when the retailer's message cannot be expressed in a leaflet or folder It is better to give a busy housewife one page that she will read than twenty pages of which she will read one

Every form of sales literature has its particular uses Post cards, leaflets, and folders are most suitable for attractive offers to which an immediate response is required Circular letters are most suitable for messages of a personal nature such as a change of ownership, management, or policy or an offer of special privileges or concessions Booklets are most suitable for the submission of ideas which will necessitate careful consideration on the part of the customer especially if she is being asked to make a purchase calling for the expenditure of a large sum of money Blotters, diaries and calendars are most suitable for cases in which the retailer wishes his offer of service to be kept in front of the customer for some time, because she may not need his service at the time of receiving the offer Catalogues and price lists are most suitable when the retailer has a great variety of attractive lines any of which may be required by a customer House magazines are most suitable when the retailer wishes to interest his customers generally in his shop with a view to obtaining more of their business, or getting them to deal with new departments he has developed Pattern books and samples are most useful when

Forms of
Sales Literature
and
their Uses

the retailer has some specially attractive line which cannot adequately be illustrated or described

Colour and typography should also be the slaves of the printed message not its masters. For a bargain sale catalogue the expert printer will use contrasting colours e.g. black and red or black and yellow and coarse heavy types and will crowd his space with illustrations and types in order to give the impression that there is not enough room to mention all the wonderful bargains being offered. On the other hand, for an advance folder of new fashions where the response is not likely to be immediate he will use subdued colours e.g. pale blue or light green and light dainty types and will leave plenty of white space in laying out the pages in order to throw the illustrations and text into prominence and give an impression of freshness to the announcement. He will use orange to suggest warmth, pale blue to suggest coolness, bright green to suggest spring, light yellow to suggest summer sunshine and rich browns to suggest autumn. He will use primitive types for the offer of antiques and ultra modern types for the offer of novelties. Thus every colour and type has its uses and there is a most suitable combination for every advertisement.

In some trades manufacturers are willing to supply quantities of printed matter advertising their lines with the retailer's name and address on them free of charge and such literature may be a great help to the retailer in supplementing his own publications and keeping his name before his potential customers. He must be sure, however, that there is nothing in the manufacturers' printed matter that clashes with his own advertising or policy.

Advertising is such an important function that the proprietor or manager of a small business usually attends to it personally. He may originate the advertising ideas and plans and employ outside specialists in copywriting, sketching, photography, blockmaking, composition and printing to carry them out, in which case he will book the advertising spaces and order the blocks, posters or printing matter personally in order to keep within his target for expenditure on advertising. The greater the skill and resources of the specialists he employs the less attention the retailer need give to detail—an important point for the busy man.

In a big business, it will be advisable to employ an 'advertising manager' to direct and take responsibility for all forms of advertising, originating ideas and making plans in accordance with the policy laid down by his principals and seeing that they are carried out efficiently and economically. He will book advertising spaces and order blocks, posters and printed matter to the extent of the sanctions given him by his principals.

The advertising manager will probably maintain a small skeleton staff of lay out men, copywriters, artists, photographers and clerks to deal with the normal routine work and employ outside firms of specialists as required. In most cases it would be unwise to attempt to have all the specialist work done by employees as the volume of work fluctuates so much that the staff would be overworked at some periods and idle at others. There is the further point that specialist employees are apt to become stale through routine work and may not keep in touch with new materials and processes so that the advertiser would be sacrificing the benefit of new ideas and improved methods if he did not take advantage of outside assistance and of the keen competition existing between specialist firms.

An
Advertising
Department

It is possible for a retailer to entrust the whole of his advertising work to an advertising agent and have nothing to do with it except to pay the bills and watch for results, but very few retailers do this. Advertising agents work on commissions received from newspapers, billposting contractors, and printers and make little or no charge to their clients, so that their estimation of a client depends upon the amount he will authorize them to spend. The average retailer's appropriation for advertising is too small to attract the big firms of advertising agents, who think in hundreds of thousands of pounds, and very few agents with any ability or resources are attracted by small accounts.

Employment
of Advertising
Agents

If, however, a retailer has no knowledge of advertising and does not wish to engage an advertising manager, it will be a good investment for him to pay an advertising agent of repute a fee for submitting ideas and plans for an advertising campaign and outlining the procedure to be followed, so that the retailer will start right and be able to 'carry on' without professional assistance after the first few advertisements. Some great London stores, whose accounts

would be very attractive to advertising agencies do not employ them because they consider that advertising is an integral part of their operations akin to the dressing of windows or the serving of customers which should not be entrusted to outsiders

Advertising display and salesmanship are three forms of sales promotion which must be co-ordinated closely in order to make the organization smooth running in normal times and to permit of the whole strength of the sales promotion forces being thrown into any special campaign or event To achieve the full measure of success there must be uniformity right through the advertising and selling campaign from the Press or poster advertisement that first catches the prospective customer's eye and the catalogues and circulars sent to customers through the window and interior displays to the salesman's persuasion and demonstration.

If the shop is holding a bargain sale the bargain atmosphere must be in evidence everywhere and bargains must be featured in the advertisements in the windows and in the salesman's conversation with customers if fashions are being featured fashion must be the keynote of every advertisement display and demonstration and if quality is the order of the day quality must be shown and talked of in every possible way It may be necessary to strike a new note in the advertising and displays every month or every week in order to take advantage of buying seasons and topical events and it is vitally important for all forms of advertising display and selling to strike the new note together Methods of backing up advertising by displays and salesmanship will be dealt with in Chapters X and XI respectively

One of the most difficult problems of the retailer who advertises extensively is that of tracing the results of the various forms of publicity he uses The retailer engaged in family trade in foodstuffs or daily necessities is especially handicapped in this respect because he can rarely obtain an immediate response to an advertisement

People who are very much attracted by an advertisement may not take advantage of a retailer's offer of service if they are satisfied with the service they are receiving elsewhere so that it is not until they have occasion to make a change that the advertiser is given a trial In these circumstances a very good advertisement may

Co ordination
of Sales
Promotion
Work

Tracing
Returns from
Advertising

bring no immediate response but on the other hand it may bring new customers months after its publication especially if regular advertisements have kept the advertiser's name before the public

The quickest response is felt in the fashion trades where the advertiser is able to put a note of urgency into his messages and the customer must make her mind up quickly In fashion merchandise advertising it is sometimes possible to test the value of a particular newspaper or piece of sales literature by giving it the exclusive advertising of a particularly attractive line and watching the sales of that line In this connection it must be borne in mind that people brought to a shop by an advertisement of one line very often buy something quite different and that all merchandise advertising advertises the house so that one cannot always expect merchandise advertising to pay for itself in sales of the actual lines advertised

Watching
Effects of
Advertising

A retailer or advertising manager may also study the effect of his advertising by talking to the customers about it and getting their mental impressions or reactions This form of tactful inquiry is much neglected in large shops because of the lack of personal touch between advertiser and customer but the salesmen can very often give the advertiser valuable information as to the effect on the customers of particular advertisements

The relation of advertising expenditure to sales turnover may be watched by means of graphs similar to that illustrated on page 196 In this case the advertiser targets his advertising expenditure at 5 per cent of his sales and his chart is graduated accordingly It will be noticed that the benefit of his peak advertising continues to be felt for several months after the peak periods which permits of the target proportion being exceeded during those periods

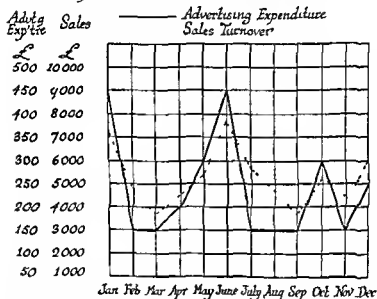
Relation of
Advertising
Expenditure to
Sales Turnover

Where departmental trading and profit and loss accounts are prepared the question often arises as to whether merchandise advertisements should be charged directly to the departments in which the particular goods are sold Most department stores endeavour to give every department its fair share of the merchandise advertising and the space is allocated in proportion to the departmental targets of sales turnover so that a department with a sales target

Departmental
Advertising
Expenses

of £50 000 per annum would be given roughly twice as much advertising as a department with £25 000. Where this plan is followed, the advertising expenses may be apportioned between the departments in proportion to the sales targets so that the department with a sales target of £50 000 would be charged twice as much as

Graph showing Relation of Advertising Expenditure to Sales Turnover



the department with a sales target of £25 000. In some specialist shops and stores however the advertising is devoted mainly to certain specialist lines or departments and other subsidiary departments receive no direct publicity.

Where a retailer varies the normal procedure of giving each department a fair share of the advertising and concentrates the advertising on a few departments, in order to influence the trend of business in favour of those departments, or where by reason of its distinctive character and different work a department has to have separate and distinctive advertisements—as in the case of the estates and valuations

Apportioning
the Cost

department in a big furnishing store—the advertising expenses of the privileged department should be recorded separately. The principle to be followed is to apportion the advertising expenditure in the same way as the advertising itself is apportioned. House or general advertising may be allocated to the departments in proportion to their sales targets.

When the direct expenses of advertising spaces, posters, printed matter, blocks, and specialists' service charges have been allocated to the departments in their correct proportions, the overhead expenses of the advertising department—salaries and incidental expenses—may be charged to the departments in proportion to the direct expenses charged them. For example, if the total overhead expenses of the advertising department are 10 per cent of its direct expenses, 10 per cent may be added to the direct expenses charged to each department.

CHAPTER X

DISPLAY

DISPLAYS of merchandise play a prominent part in retail sales promotion. Attractive window and other exterior displays bring new customers and attractive counter and other interior displays induce customers to make additional purchases.

Many retailers including some of the most successful multiple shop companies consider merchandise displays to be the only form of advertising they need. Their shops are in busy centres their window displays are attractive the interiors of their shops are inviting and their service is efficient so that their shops are both convenient and pleasant to deal with.

Displays a
Form of
Advertising

If a retailer does not advertise he must rely upon his window displays and the general appearance of his shop to bring passers by into the shop and so turn them into customers. Heavy commitments for rental and other expenses of premises in a busy shopping centre may be quite profitless unless the shop is made attractive to passers by.

Good merchandise skilfully displayed is by far the best form of advertisement for a shop. Most articles of merchandise are attractive in themselves either because of their apparent beauties or because of the uses and advantages which people have learned to associate with them.

Seeing an article itself is always more convincing to a prospective purchaser than seeing a picture or reading a description of it in an advertisement and it is a great disadvantage of merchandise advertising that the illustrations and descriptions however skilfully prepared rarely do justice to the goods. In the average newspaper advertisement it is only possible to present a very rough black and white sketch of the merchandise. All the advantages of colour and shading are lost and it is exceedingly difficult to portray quality of materials. Cheap goods very often sketch far more attractively than expensive goods. The illustrations cannot be supplemented

Limitations
of Advertise-
ments

by complete descriptions of the goods, because space is valuable and the average reader will only glance at the description. The wording must, therefore, be brief and cannot adequately describe the attractive features of the *merchandise*.

Illustrations in colour and more comprehensive descriptions can be given in sales literature, but readers are apt to discount them, although, as a matter of fact, even the most elaborate and costly publications may not do justice to the goods.

There is the further point that the *merchandise display* meets the customer at the most favourable moment, when she is in the act of shopping and at the shop, whereas the Press advertisement, the poster and the sales literature may meet her when she is busy with other tasks or thinking of other things. An advertisement that makes a good impression on a reader and arouses her interest may be forgotten by her within a few moments owing to the pressure of other affairs, but if she sees the advertised goods displayed in a shop window next time she is shopping the advertisement will be recalled to her mind and she will be a stage nearer buying.

Displays
are
Opportune

The retailer's window displays may therefore be looked upon as a "key," linking his advertising to his shop. This linking is effected by showing in the window the lines that are being advertised or the class of merchandise that is suggested by the advertisements, and expressing the spirit or message of the advertisements in the displays. This link or key is absolutely essential, owing to the possibility of customers forgetting advertisements or confusing the advertisements of rival shops. A woman may remember that she has seen an attractive hat advertised but forget the name of the advertiser, or she may have seen the same hat advertised by several shops.

An advertisement may bring a prospective customer to a shop but not *inside* it. If the good impression created by the advertisement is not borne out by the general appearance of the shop or the merchandise displayed, she may be disappointed and either go elsewhere or enter the shop in a critical mood that will make the salesman's task of obtaining her order a very difficult one.

When rival shops are situated close together in a shopping centre, their advertising may bring people to the shopping centre rather than to any particular shop, because many women make a tour

of the shop windows before beginning their shopping. In such circumstances the window displays are the deciding factor and

the shop with the best display of the merchandise

Attracting
the Roaming
Shopper

advertised secures the lion's share of the business.

Window displays are much more direct and personal than Press advertisements. A retailer's advertisements usually appear in close proximity to those of other retailers but when a prospective customer is looking in his shop window he has her undivided attention for the moment.

Alert retailers in close competition not only feature in their window displays the lines they are advertising but also the lines their competitors are advertising. If they are successful in making the better show of their competitor's feature lines this naturally makes a deep impression upon the public.

By key displays of proprietary articles advertised by his suppliers the retailer may also attract to his shop the business created by their consumer or national advertising. Most of our leading manufacturers find it necessary to advertise their proprietary lines in the general Press in order to interest prospective consumers or users and create a demand for them but this demand is by no means imperative and the co-operation of retailers is usually necessary in order to turn the consumer's or user's interest into an actual order. In many cases suppliers who advertise extensively to the public are willing to supply display material to the retailers who stock their lines or even to dress their windows for them and a retailer who takes advantage of this service may be able to attract to his shop all the local benefit of such advertising.

In small shops the window displays are planned and supervised by the proprietor or manager and carried out by the salesmen

Display
Organization

but in a large shop department store or multiple shop chain there is usually a display department controlled by a display manager who has his own

staff of expert window dressers.

The display manager bases his work upon the general Plan of Selling Events drawn up by the management in consultation with the buyers and other executives in advance for each trading period. If the display manager is a man of vision he will probably play an important part in the formulation of such plans as he should know the display value of the schemes considered. He may also originate

ideas for special events and make suggestions for the co-ordination of departmental events suggested by the buyers

The selling plan will divide the year into a number of "events," including the seasonal Easter, Spring, Summer, Autumn, and Christmas shows, the clearance sales, bargain and fashion weeks, and the special departmental or topical shows arranged to present popular attractions at the most favourable times.

During each of these "events" the shop must appear to the customer in an appropriate mood and show appropriate merchandise, and the display manager's task is to arrange window and interior displays that will create the desired "Atmosphere" "atmosphere," and give prominence to the selected merchandise. At all times, the displays must express the character of the business and the more definite this character the more difficult the display manager's task will be. In a business of little character, the displays may be designed simply and wholeheartedly to express the mood of the moment, but, where prestige and specialist character have to be considered, restraint may be necessary. For example, a general draper's catering for customers of all classes may be able to express the spirit of feverish haste and sacrifice of price in its clearance sale displays, but a high class ladies' outfitter's may have to retain a dignified appearance even at clearance sale times, and the display manager's task is therefore far more difficult. Instead of merely expressing a certain spirit, he has to portray a certain character in a certain mood.

Where an extensive advertising campaign is conducted, the display department must work in close co-ordination with the advertising department and study the advance plans of that department before it prepares its own. In other words, the display manager must find out how the advertising manager is going to advertise the various "events" before he can organize his displays.

Relations
with
Advertising
Department

In the case of merchandise advertising, the display manager will wish to know well in advance what lines will be advertised, and what descriptions and prices will be given to them, to enable him to design displays to suit them, order the necessary backgrounds, showcards, tickets and other display materials, and also find out how much stock of each line he will need, and requisition it from the buyer of the department.

With 'house' advertising the display manager will wish to see an advance sketch or proof of the actual advertisement, as the task of backing up a general statement by displays is far more difficult than backing up a merchandise advertisement of a particular line. He may have to take his "cue" for the displays from a single phrase or slogan used in the "house" advertisements, or a single illustration, but the combined effect of his displays upon the passers-by should be the same as that of the advertisements on the readers, so that his interpretation of the displays must be broad, and if he does quote or enlarge upon an item from the house advertisement, he must be sure that it is the proper keynote of the advertisement and that his treatment is consistent with the advertising.

The general appearance of the displays should also coincide with the general appearance of the advertisements. If the advertising men have 'crowded' their advertisements in order to give an impression of surplus stocks and great variety and have shown the prices in large figures for a clearance sale, the display men should crowd the windows with merchandise and use large price tickets to give the same effect. On the other hand, if the advertising men have left plenty of white space in their advertisements in order to give power and dignity to the "copy" and throw a particular line or message into prominence, the display men should obtain a similar effect by setting the line or message in a prominent position and arranging the rest of the window as a contrasting background, containing nothing of interest likely to distract attention from the feature.

In many cases there is a great advantage in mounting a copy of the advertisement and exhibiting it in the window with the goods, so that potential customers can compare the illustration with the actual article. This will remind them of the advertisement and show them that the offer is genuine and they may be impressed by the fact that the goods themselves are actually more attractive than the advertisement.

It is unlikely that the plan of selling events and the advertising will give the display manager cues for the use of all his window spaces. The management may consider it advisable not to stage any events during certain weeks, or an event or advertisement may be confined to one or two departments, so that only a few of the window spaces available

Backing Up
the
Advertising

Scope for
Ingenuity

WINDOW PLAN

Week Commencing 23rd December 1939 Event Christmas Show

Window	Department	Details Settled		Rough Sketch Made	Backroom to etc		Showcards and Tickets		Merchandise	
		Joint Dept.	Buyer		Ordered	Received	Ordered	Received	Requested	Returned
1	Fancy Costumes	Continuation								Cont'd
2	Evening Cloaks	Dec 1	Dec 1	Dec 4	Dec 3	Dec 19	Dec 3	Dec 17	Dec 8	Dec 29
3	Coats	1	3	6	3	20	3	17	3	29
	Gowns	Continuation								29
5	Scarves and Shawls	Dec 1	Dec 9	3	3	19	3	1	3	20
6	Miliners	1	2	3	3	19	3	14	3	29
7	Hosiery	1	3	6	3	21	3	17	3	20
8	Handbags	Continuation								Dec 29



need be reserved for it. The display manager will have to rely upon his own ingenuity to provide schemes for displays in the remaining weeks or spaces. Spaces may however have to be reserved permanently or periodically for particular departments and the display manager must plan his own schemes well in advance so that the reservation of window spaces and the preparations for the displays should be systematized.

For this purpose most display managers provide themselves with quantities of printed plans of the window and other spaces at their disposal. Each plan represents a week's displays and when the display manager receives his copy of the advance plan of selling events from the management he opens a separate plan for each week of the period. He then reserves his spaces for the various events and for the displays subsequently decided upon by marking off the spaces on the plans.

The window plan on page 203 goes a step further and provides a form on which the various routine operations connected with the displays can be recorded as they are carried out. Reference to the advance file of window plans will then show not only what spaces have been reserved but also what steps have been taken towards preparing for the displays. Continuation in the Details Settled column means that the particular display will be continued from the previous week without change and continued in the Merchandise Returned column means that the particular display will be left for the ensuing week without change.

In a large organization the display manager will delegate the carrying out of the various routine operations to assistants whose responsibilities must be defined closely. One of them will deal with the preparation of rough sketches and lay outs for displays another with the ordering and checking of backgrounds, showcards, tickets and other supplies and a third with the borrowing of merchandise from the buyers. The entries on the window plans will then show the display manager whether these operations have been commenced and completed in good time.

Display is such a vital factor in sales promotion that the management may wish to give the display manager general instructions as to the amount of space to be devoted to the merchandise of each department or the amount of preference which is to be given to any particular department or lines and he may have to submit

his plans to the management for approval before beginning his preparations. Incidentally it often makes for better relations between the display and selling departments if the allocation of space is directed by the management and the display department cannot therefore be blamed for any allocation that does not please the buyers concerned.

Allotment
of Display
Space

Saleability must always be considered first in allocating space to merchandise and the buyer who has attractive lines to show must take precedence over the buyer who cannot produce anything worthy of display. Departments of equal importance cannot always be treated alike as apart from saleability there may be some departments whose merchandise is naturally attractive and valuable to the display men for purposes of general effect and other departments whose merchandise is unsuitable for display.

In a large organization the management must give very careful consideration to the relations between the display department and the selling departments as these relations are very often the subject of considerable controversy and unpleasantness. No one appreciates the value of window displays better than a buyer or manager of a selling department and his usual plea is to be given a window of his own for the exclusive use of his department and to be allowed to dress it as he pleases and show what goods he likes. The idea of having a display department is therefore objectionable to many buyers.

Relations
with
Selling
Departments

There are however obvious advantages to a large shop or store in having a separate display department as display work is now recognized as an art calling for specialist knowledge and skill and only by having all the displays under the supervision of one executive is it possible to co-ordinate them harmoniously and ensure the policy of the house—rather than the policy of any particular department—being adhered to.

When a display department exists it will be necessary to define its territory. The whole of the window spaces will usually be under its control—although in some quite important stores certain buyers of leading selling departments are successful in obtaining exclusive rights over particular windows. There will probably be a number of display spaces inside the shop e.g. entrance halls, lift halls

The Display
Department's
Territory

staircase landings and arcades, which it is not desired to allocate to any particular selling department, and these can be included in the territory of the display department

In some shops the display manager is given the right to supervise and if necessary, veto or re-arrange the displays or "dressing out" in the selling departments themselves, in order to ensure harmony and consistency throughout the whole building, but this is practically an impossible task, especially where the buyers are antagonistic and it is better to leave the departmental displays to the buyers and their salesmen, except that the display manager may act in an advisory capacity and give practical assistance whenever a buyer asks for it. If he is a tactful man, he will be able to exercise a considerable amount of control by leadership and suggestion, without giving offence to the buyers.

Display may be called 'silent salesmanship' and every salesman entrusted with the arrangement or 'dressing out' of stock should be taught how to make his merchandise look attractive.

The inside of a shop should be one great display of merchandise, where lines for which the shop is noted or which are being advertised, are supported by alternative lines showing the extent and variety of the stock. Even the most commonplace goods may be able to sell themselves if shown, by reminding the customers of things they ought to buy, and thereby making sales that might otherwise be lost. Biscuits, pickles salt pepper, and mustard sell 'at sight' in the grocer's shop blotting paper, envelopes and rubs in the stationer's, and bath salts toothbrushes and sponges in the chemist's to mention only a few examples. In other trades there are articles whose charm novelty or inexpensiveness will make them irresistible to some customers if they are skilfully displayed.

Interior Displays

Good merchandise hidden away represents so much money lying idle and so much display opportunity lost. New lines, in particular, are always interesting to customers and interior displays of them can be used to entertain customers who are looking round or wasting their turn to be served. It is better for new goods to introduce themselves to the customers than for the salesmen to introduce them. The salesman has to guess what the customer might be interested in, and his suggestions may be resented but the customer's examination of a displayed article discloses her interest and the

salesman can then talk to her about the article without fear of causing offence

The Departmental Analysis of Sales (see page 68) should be watched in connection with displays and where this shows that on certain days of the week a better or cheaper class of business is done as is very often the case better or cheaper goods should be shown on those days

Particular attention must be given to the displays or dressing out of the departments which can be seen from the street in order to make the general appearance of the shop attractive and inviting. This point must be borne in mind in laying out the shop and arranging the positions of the various departments in order to place departments whose merchandise has display value near the doors

In some shops it is the practice to place specially attractive lines in the windows nearest the doors or in cases at the entrances and to arrange interior displays of new lines opposite the doors so that displays may be said to lead customers into the shop

Where a retailer has merchandise of attractive appearance distinctive to his shop he should seize every opportunity to display it to potential customers and with this end in view may take space at local exhibitions and shows or arrange to install showcases in local hotels restaurants theatres cinemas railway stations and pavilions

Exhibitions
and Outside
Displays

Participation in local shows and events gives a retailer prestige and earns him the goodwill of the more influential local residents and it may prove a very effective means of combating the competition of multiple shops whose managers are rarely authorized to undertake this form of sales promotion work. An artistic display of attractive merchandise helps to make a local exhibition or to brighten up the entrance hall of a hotel theatre or railway station and a retailer who has a reputation for distinctive displays can often obtain display space and facilities on very reasonable terms

The arrangement and maintenance of such displays naturally fall to the display department and require special attention. If the outside displays are skimped or allowed to become stale and dirty they will be bad advertisements instead of good ones and the retailer will find it more difficult to obtain spaces

There may be differences of opinion between the display manager and the buyers as to which lines should be shown. Generally speaking the display manager is dependent upon the buyers for the selection of lines as he may not know what is in stock or what lines represent the best value but he should have the right to go round the departments and ask for the loan of any lines which have display value. He should not be allowed to *demand* the loan of any particular merchandise but he should have the right to refuse to show any lines suggested by the buyers which he considers unsuitable so that goods will only be shown by mutual agreement between the display manager and the buyers.

There should be no difficulty in the case of advertised lines as these are usually selected in the first place by the buyers and it is of course to the buyer's advantage to give the display men the best selection he can in order to secure satisfactory displays. Difficulties arise when buyers are asked to loan merchandise for quite unimportant spaces or to be used as a background or foil for the merchandise of another department especially if their merchandise is liable to damage or depreciation through exposure in the windows.

The buyer of the silks department may be keen to loan silks when they are to form the subject of the display but unwilling to loan them for use as a background to a china display. A diplomatic display manager can often meet such objections by bringing together the buyers concerned and getting them to make some reciprocal arrangement for example the silks buyer may agree to loan his silks as a background for a china display provided descriptive tickets are placed on them and the china buyer lends some high-class china ornaments to embellish the displays of silks.

It may however be advisable for the management to make some arrangement by which a department can be compensated for spoils resulting from loaning goods for other departments displays. For example where Waste Notes similar to that illustrated on page 115 are in use it may be arranged that if the display manager certifies that goods have been spoiled in another department's display the counting house will charge the cost to the department enjoying the benefit of the display instead of to the department responsible for the goods spoiled.

The value of the stock out on display may amount to a considerable sum and it is important for the borrowing and return of merchandise by the display department to be made the subject of memorandums. A simple but effective system is for the display department to give the selling department a written *Requisition for the goods it borrows* similar to that illustrated below. This requisition is prepared in duplicate the original to be left with the buyer of the department loaning the goods as a receipt or IOU for them and the duplicate to be kept in the display department as a record of the goods in their hands.

Stock Out
on Display

REQUISITION FOR GOODS FOR DISPLAY

DISPLAY DEPARTMENT		D R 1240
		Date 2nd March 1931
REQUISITION FOR MERCHANDISE ON LOAN		
To	<i>Upholstered Furniture</i>	Department
Please lend us the following merchandise for approximately		
seven days		
Date required		7th March 1931
Quantity	Description	Display
1	<i>Albion Chesterfield in Hide</i>	Window 4
2	<i>Albion Easy Chairs in Hide</i>	Window 4
1	<i>Sleepwell Bed Settee in Green Damask</i>	Window 8
		David Jones Display Manager
Received the above merchandise on behalf of the Display Department		
Date	7th March 1931	E Cox

The requisition may, of course, have to be sent to the selling department in advance, allowing time for the goods to be obtained or prepared and the receipt section will then be signed by the porter who subsequently collects them

When borrowed goods are returned to the selling department, the original requisition should be recovered and the duplicate can then be destroyed

It may be noticed that the specimen requisition shows the buyer approximately how long the goods will be away from his department and where they will be located, to enable him to trace them if necessary

The display manager should watch the file of duplicate requisitions to see that goods are returned to the selling departments immediately they are taken off display, as buyers frequently have cause to complain of goods being laid aside instead of being returned promptly and goods so laid aside in odd corners may be exposed to considerable risk of damage or theft

In preparing an important display, the first step should be the making of a preliminary sketch, drawn to scale. The preparation of preliminary sketches makes for much better displays and saves a great deal of time and labour in the long run, as they enable the display manager to consider alternative ideas in sketch form long before the displays need be commenced or the materials ordered. The sketches are a guide to the measurements in ordering backgrounds and to the quantities in requisitioning merchandise, and the window dressers are able to visualize the displays before commencing work on them, and go straight ahead with the arrangement of the backgrounds and merchandise in their allotted positions instead of having to arrange and re arrange them under supervision until the desired effect is obtained

In the case of foodstuffs or delicate materials, it is of especial importance for the displayed merchandise to be handled as little as possible, otherwise its fresh appearance may be lost

The artifices at the disposal of the display man are almost unlimited. Apart from the merchandise itself, he has the advantage of backgrounds, showcards, tickets, lighting, colour, models, mannequins and many other devices to give interest, life, and 'human appeal' to the displays

Preliminary Sketches of Displays

Points on Display Design.

In nearly all cases the merchandise must be the feature of the displays and it is the display man's task to dramatize this merchandise rather than to introduce features that will detract from it. It is a sure sign of incompetence if a display man has continually to introduce sensational or irrelevant features into his displays in order to make them attractive and interesting to passers by; he should be able to make the merchandise itself attractive and interesting.

Many classes of merchandise do not readily lend themselves to display but it is better to apply ingenuity to making them interesting than to introduce theatrical features. For example proprietary articles in packets or other containers usually make poor display material but they can be livened up by opening or breaking a packet to show the contents or showing the articles served or as they would appear in use and it is better to do this than to subjugate the articles to a set piece representing characters or trade marks associated with them by the manufacturers. Such set pieces are more suitable for backgrounds.

The expert display man strives for what is known as human appeal in his displays making them suggestive and thought provoking and appealing as intimately as possible to the class or type of person who is the most likely purchaser of the goods. Human Appeal The baker who makes a display of crumpets with a showcard depicting hot buttered crumpets served ready to eat and the words 'Crumpets for Tea' gives a simple example of sound and constructive showmanship.

A Christmas display should not be merely a show of seasonable goods but a display of practical suggestions for those who have to give presents or for those who have to give parties.

The display man should try to visualize the potential purchaser of the particular goods and her problems and appeal to her in the mood associated with the goods. The department store can make up special displays for mothers, hostesses, overworked housewives, travellers, motorists, golfers, dancers, tennis players, music lovers, book lovers or smokers at appropriate times by bringing together articles of interest and utility to the people addressed and creating an atmosphere attractive to them. Association of ideas is an important factor in display work and when articles are used together they should be shown together. A display of bathing costumes may

be dull and uninteresting but if bathing costumes caps shoes wraps tents parasols and inflated sea horses and other aquatic sports goods are combined in a display for bathers passers by will be reminded of their approaching holidays and the joys of the beach and made to think What do I need for the beach this year? The bathing costumes may still be the centre of attraction if they are distinctive to the shop or attractive in style or price

Every display should have a centre of attraction or featured line which must be carefully chosen as on the attractiveness of this line and its apparent value for money will depend the success of the display If the featured line looks commonplace expensive or out of date all the other lines will suffer by association but if the featured line makes a strong appeal all the other lines will benefit by association The featured line will be taken as representative of the shop and its stock as a whole and therefore the retailer must be content to be judged by it

The display man must not allow his ingenuity to lead him into providing complicated or involved displays In display as in advertising the simplest method of presenting an idea is always the best Simplicity is the secret of the beautiful display the striking display the dignified display the amusing display the tasteful display and the bargain display

In all but the bargain display overcrowding must be carefully avoided as overcrowding suggests cheapness and common stock Most inexperienced window dressers make the mistake of trying to show too many lines at a time so that the windows are overcrowded there is clashing in colour quality and style no line is properly featured the windows look smaller than they really are and the distance at which they are attractive and intelligible is lessened The selling power of many shop windows could be trebled in a few moments by taking out half of the goods!

In addition to the above points it should be remembered that most merchandise suffers from exposure in the windows and in some cases becomes unsaleable so that in the interests of economy the amount of merchandise displayed should not be larger than necessary Dust damp and sunshine are the three great enemies of displayed goods and every possible precaution should be taken

against them in planning and enclosing the windows and in arranging the displays

Backgrounds, painted or draped may be used to complete the displays, to give character to them and to bind together a combined display of dissimilar or differently coloured articles, but they must be carefully chosen, both as regards Backgrounds colour and design. The background should contrast pleasantly with the goods, in order to throw them into prominence and there should be no interesting detail in it otherwise it may distract attention from the goods

It is unwise to equip the windows with display fittings of a fixed or permanent nature as this may make the displays stereotyped and inflexible and therefore unattractive to passers by. Fittings which would cause the goods to be shown in parallel or vertical rows are especially to be avoided as they make the windows look formal, and smaller than they really are. For the same reason tickets should never be arranged in rows

Goods that are obviously of superior quality may be used as a background, support, or ornament for other lines of superior quality. For example, beautiful silks artistically draped will enhance the apparent quality of high-class shoes

Combined displays should be restricted to articles of approximately equal quality, so that they help one another to suggest exclusiveness or inexpensiveness as the case may be. Articles of widely different class or quality clash badly in display and spoil each other's chances of selling. The inexpensive goods make the high-class goods look too expensive and the high class goods make the inexpensive goods look rubbishy

Colours must be considered very carefully in display work, as every colour or combination of colours has a different psychological effect and, therefore, its own particular uses. For example, yellow is suggestive of summer and sunshine and is, therefore, suitable for summer holiday displays, orange is suggestive of warmth, comfort, and cheerfulness, and is, therefore, suitable for winter furnishing displays, light green is suggestive of spring and is, therefore, suitable for spring fashion displays, red has an imperative, arresting effect, and is, therefore, popular for bargain displays, black and white is the sharpest contrast possible and is, therefore, the best means of

Colour
Schemes

attracting attention from the opposite side of the street. Deep blues and purples are depressing colours, and are, therefore, sparingly used by display men, who must, in nearly all cases, strive for an invigorating, cheerful effect

In regard to combinations of colours, a number of reliable and inexpensive charts are published for the use of artists, display men and advertising men, showing the combinations that blend harmoniously, those that contrast effectively, and those that clash

The lighting equipment in the windows should be flexible and adjustable to permit of lights being arranged and focused to suit the individual displays. Shadows must be avoided by flood lighting directed from all angles of the front of the window and, to avoid glare, there should be no exposed lamps. Apart from showing the goods to advantage, flood lighting of the windows and interior gives a cheerful, inviting appearance to the shop, especially on a dull day, and, although the cost of current is sufficiently great to deter retailers from using electric light unnecessarily, it is a good salesman and should not be skimped.

Display
Lighting

Coloured or tinted lights may be used to give sunshine, fireside, cool, warm, woodland, moonlight, harvest or other effects to a display, to "bind together" a combined display of dissimilar objects, or to "tone down" gaudy-coloured goods. Where a display is satisfactory in daylight but unsatisfactory at night, owing to the change in the appearance of the goods under electric light, special "daylight" lamps should be used.

Where there is a steady stream of passers-by in the evening after the shop has closed, it will be helpful to leave the window blinds up and the lights on long after closing time, thus making sales for another day. In some theatre districts there are more passers-by at night than during the daytime, and many people who work in shops, factories, or offices only have time to look round the shop windows in the evenings.

Showcards and tickets should not be introduced into displays unless they serve a useful purpose, as their general effect is bad, especially in the case of high-class merchandise.

Showcards
and
Tickets

In most shops it is now considered necessary to put price tickets on all displayed goods, as many shoppers take no interest in articles which are not "marked in

plain figures " Price marking reminds casual visitors that the goods are for sale, and invites them to purchase them, whereas a window full of unpriced goods is aloof and uninviting, and suggests that the shop is ashamed of its prices

It must be borne in mind that the majority of shoppers are quite unable to judge the apparent values of displayed merchandise, and the way in which the price is presented has a very important psychological effect Large price tickets suggest cheapness, small price tickets suggest expensiveness Where prices are marked in code, they should never be obvious on displayed goods, as codes make customers suspicious

In nearly all cases a few words of description on the price ticket, or on a separate ticket, will add to the attractiveness of the goods, emphasizing a low price, or accounting for a relatively high price by pointing out the qualities and advantages of the goods but the words used must be really descriptive of the particular goods, and not stale, stereotyped phrases For example, "pure wool," "hand made," "untarnishable trummings," "crêpe de Chine lining," "18-carat gold," and "guaranteed for five years" are helpful because they tell the prospective customer something about the goods and make them more attractive to her, but "cheap," "wonderful value," "finest quality," "latest style," "best selected," "our recommendation," and similar phrases so promiscuously used by the small shopkeeper have become meaningless and, therefore, have no influence on the shopper

Attractive
Descriptions

In many cases it is considered advantageous to put the name of the shop on all descriptive tickets, as this impresses the name upon the minds of shoppers and suggests that the goods are distinctive to the shop and not common merchandise It also seems to inspire confidence with some customers It is important to note however, that where the name of the shop appears on displayed goods of foreign manufacture or on the tickets describing such goods, the name of the country of origin or the word "foreign" must also appear on them This is a provision of the Merchandise Marks Act, 1926 The effect of this may be to influence people against purchasing the goods, although some display men have turned the enforced description to good account by using a little salesmanship, e.g. "guaranteed French manufacture," "genuine Czechoslovakian ware"

Like all other sections of the business, the display department

will usually have to work to a target of expense or budget figure and the manager will have to apportion this figure amongst his various classes of expense—wages backgrounds showcards etc

Display
Costing

In some stores it is the practice for the window displays to be costed out to the departments which enjoy the benefit of them a charge being made to the trading account of each department for the displays they had during the period of accounting

The display manager will know in advance what his target of expense for the year is to be and by dividing this by 52 he will find the weekly expense figure. This weekly figure may be spread over the windows and other spaces according to their size and importance thus arriving at a definite cost per week for each space

The display manager has therefore a price list for his spaces including display services and can tell a buyer beforehand what any space or display will cost him per week

Charging the
Buyers for
Displays

Where extra expenses for special backgrounds models or mannequins are incurred on behalf of a particular department these will be charged directly to the department in addition to the charge for space and services

The display manager should reserve a proportion of his expense appropriation for special departmental expenses of this kind and the amount so reserved will not of course be taken into account in fixing the weekly charges for space

As the preparation of special displays covers an endless variety of work and materials the display manager should keep a Cost Index showing the cost of any materials likely to be used similar to the Price Index kept by a buyer. He should also note the time required for the production of the various set pieces or materials likely to be required. He will then be able to quote a buyer the approximate cost of any special displays under consideration and also to place his orders in good time

The advantage of this costing system from the viewpoint of the management is that it limits the amount which the display department may spend and provides that every penny must be accounted for by a charge to a selling department. If the display department does not spend its money to good advantage the buyers will soon complain that they are not getting value for the amounts charged them

CHAPTER XI

SALESMANSHIP

SALESMANSHIP is the most personal and most necessary form of sales promotion and therefore by far the most important

Advertising and displays may in some cases, sell merchandise outright—as in mail order businesses or 'open' bazaar stores—but, in the majority of cases, they only go part of the way towards making the sales, and the salesman has to complete the sales promotion work, or "clinch the deal"

Close personal contact with customers and individual treatment of them are the proper sphere of the retailer, and any attempt to give mechanized or mass treatment to customers must be regarded as anomalous. In Britain especially, people prefer personal service, and it is significant that mail order businesses and 'open' bazaar stores, cited above as exceptions, have not proved nearly so popular in this country as in the United States and elsewhere

The typical and vital function of individual treatment of customers in retailing is performed by the salesman. A shop is established to give a certain service to the public, and the salesmen are there to extend that service to individual customers, varying it as required

The
Salesman's
Function

In many cases the salesman may be said to stand between the shop and its customers. The shop may be established with high ideals and a settled policy and be in position to render valuable service to its customers, but the service actually given to individual customers depends largely upon the character and efficiency of the salesman and the way in which they interpret and carry out the policies and practices of the shop. The salesman, therefore, have power to make or mar the retailer's appeal and service to his customers. The most skilful advertising and displays will be wasted if the salesman do not back them up and show and recommend the lines advertised. The most comprehensive stock will appear inadequate if the salesman do not take pains to show individual customers the lines most suited to them, and the most efficient service system will be discredited if the salesman make

mistakes in executing orders issuing delivery instructions and giving change

The influence of the personal element in business and the salesman's power for good or harm cannot be emphasized too strongly at the present time because many retailers including some of the largest are allowing their enthusiasm for scientific merchandising advertising display and service systems to lead them to under estimate the importance of personal salesmanship and are making the mistake of looking upon salesmanship itself as a system instead of an art dependent upon individual skill

The salesman's ability and willingness to give satisfactory service—in other words the human element—are too often taken for granted by retailers. In many shops which talk about service incessantly in their advertisements it is difficult for a customer to find a salesman who is able and willing to give her efficient pains taking and intelligent personal service in connection with the goods she requires. The service in such shops is merely lip service.

The goodwill and reputation of a retailer is in the hands of his salesmen as they serve the customers and he must expect to be judged by their actions. The more he talks about service the greater the customers' expectations and therefore the greater the need for salesmanship.

Salesmanship itself is the subject of a companion volume¹ in which the principles of salesmanship are fully explained and applied to the salesman's problems and the details of his work. In the present work it is desirable to concentrate upon the managerial viewpoint i.e. the uses and organization of salesmanship and the selection training leadership and control of salesmen.

In order however to indicate the standard of salesmanship desired it may be helpful to list some of the attributes of the proficient salesman.

Attributes
of the
Proficient
Salesman

Personality A healthy mind and body a natural and likeable personality a clean well groomed and neat appearance a polite unassuming manner and a habit of being courteous and helpful

¹ *Retail Salesmanship* by Constance L. Bolling Second Edition 7s 6d (Sir Isaac Pitman & Sons Ltd)

Attitude of Mind Broad vision observation and an intelligent interest in people and things a liking and enthusiasm for his work energy patience and willingness to take pains in order to please and an honest endeavour to do the right thing

Efficiency Mastery of the routine part of his work i.e. the taking of orders preparation measuring cutting weighing and packing of goods writing of sales checks and delivery instructions taking money and giving change and smartness and reliability in working

Knowledge Sufficient knowledge of his stock and the general merchandise of his trade to enable him to talk authoritatively and interestingly to customers to answer their questions accurately and convincingly and give them sound advice when required Sufficient knowledge of general business to appreciate the nature and relative importance of the various features of his work

Persuasive Skill A sympathetic understanding of his customer's ideas and motives Ability to make suggestions tactfully and helpfully to enhance the apparent value of his merchandise by his way of describing and handling or demonstrating it and ability to take his employer's part in any discussion without giving offence to the customer

This standard of proficiency is admittedly a high one and a large proportion of the retail salesmen of to-day would fail to satisfy it but it must be borne in mind that the words salesmen and saleswomen are now used to describe shop assistants or counter hands who have no idea of salesmanship and who cannot be considered as factors in sales promotion A retailer cannot build up a staff of the standard indicated by merely advertising for experienced salesmen or by offering high wages Careful selection and thorough training are essential and the working conditions must be congenial These subjects will be dealt with in Chapter VII

The ways in which skilled personal salesmanship may increase the sales turnover of a retail business include the following (1) the shop becomes a pleasant and convenient shopping centre attractive to customers (2) sales are made which would be lost if the manner of presenting the goods was less skilful (3) goods are obtained specially for customers so that sales are not confined to the stock (4) customers are shown the advantages of buying larger quantities or

Salesmen
or Shop
Assistants ?

How Sales-
manship may
Increase
Turnover

better qualities than originally intended and additional articles are sold by suggestion (5) expert service in connection with merchandise has a definite value and is sought after by discriminating customers (6) full effect is given to any special character or policy of specialization prescribed for the business by the proprietors (7) money can be spent on advertising displays and other forms of sales promotion with the assurance that the salesmen will turn opportunities created into sales (8) customers can be called on at their homes and direct mail advertising can be followed up by canvassing potential customers (9) complaints and claims by customers are settled promptly and in a friendly manner minimizing the risk of their patronage being lost

It may be helpful to enlarge upon the above examples taking them in the order given

The part which the skilled salesman¹ plays in making a shop attractive to customers is obvious. If salesmanship were only used to make shopping easy and pleasant for customers with no attempt at sales promotion in individual cases it would still be a vital factor in competition between

Congenial Atmosphere shops. The quiet and competent manner in which the proficient salesman goes about his work and the many courtesies and attentions he can give go a long way towards creating a congenial and harmonious atmosphere for the customers so that they look upon the shop not merely as a place of business but as a resort and *rendezvous*

In many trades it is advantageous to give the public the freedom of the shop allowing people to walk in and out as they wish without obligation to make purchases. This means that the shop attracts not only the customer with a definite order but also the prospective customer with an indefinite want the possible customer who wishes to compare prices and values and the potential customer who has some time to spare and enjoys looking round shops

Retailers do not always appreciate the fact that when the public is given the freedom of the shop a much higher standard of salesmanship is required. The visitor enters the shop as a guest and

¹ To simplify the wording the salesman is treated as masculine and the customer as feminine but the recommendations apply equally to salesmen and customers of both sexes

must not be asked to make purchases yet she must not be neglected for fear of offending her and it is desirable to secure any orders she may be in a position to place. In many stores which invite the public to come and look round without obligation to make purchases visitors are pounced upon and pestered with parrot cries of "The Freedom of the Shop" May I help you? or Can I show you something? by every salesman they pass. This amounts to a breach of faith and makes visitors feel very uncomfortable. They may feel obliged to buy something they do not really want in order to escape but this is unsound sales promotion as they are not likely to visit the shop again. Incidentally this is an example of the use of *system* as a substitute for salesmanship. The employees are told to say "May I help you?" and do so mechanically instead of discriminating as a skilled salesman would.

The salesman would reserve his "May I help you?" for the visitor who showed signs of requiring assistance and would make no attempt to accost those casually passing through his department. If a visitor stopped to inspect goods displayed in the department he might try to get into conversation with her by making some interesting statement about the goods—not by asking a leading question—and he would not even do this if he judged from the visitor's bearing that there was a possibility of her resenting his speaking to her.

First impressions are always of great importance and it cannot be denied that the successful completion of a sale very often depends on the way in which the customer is first received. A customer entering a strange shop is usually a little nervous especially if her requirements are indefinite and a salesman with a pleasant countenance and an attitude of interestedness and attention can put her at her ease immediately. Regular customers expect their patronage to be appreciated and the skilled salesman puts a hint of recognition into his welcoming smile.

Reception
of
Customers

The opinions of housewives who have to make shopping a daily task are valuable in connection with salesmanship and it is significant to note that the complaint most often heard against salesmen in general is that they serve grudgingly as though it was too much trouble. In many shops it is a common experience for customers,

obviously requiring attention to be kept waiting while the salesmen finish private conversations arrange stock and perform clerical duties. Another complaint frequently heard is that salesmen do not give their undivided attention to customers while serving or take an interest in the customer's side of the transaction and what she has to say but act in a mechanical and preoccupied manner. With this sort of thing going on it can be readily understood that the retailer who employs skilled salesmen has a very great advantage over his unenlightened rivals. Such salesmen can easily convey to the customer the impression that they are pleased to see her and take a close personal interest in her purchases.

It is not unknown for a customer to be kept waiting while salesmen argue as to who shall serve her and in order to guard against this it is advisable to divide the whole of the shop and stocks into sections of convenient size and to operate some system of order of service or rota in each section so that directly a customer presents herself the salesmen know whose duty it is to give her any attention she requires.

Order of Service

An order of service system usually gives the senior salesman in a section the right to serve first so that a junior does not come forward unless the senior is absent or already engaged with a customer. This system should have the effect of giving the customer the services of the most proficient salesman available in the section. The junior salesmen may get very little practice in slack periods but this cannot be helped as it is undesirable for a proficient salesman to stand idle while a novice attends to customers. It is however very important for the order of seniority to be consistent with the comparative proficiency of the salesmen and each section should be small embracing only a few salesmen. If old hands of doubtful proficiency are given first pick of the customers in a large department in which a number of good salesmen are employed the customers may not be receiving the best attention available and there is bound to be jealousy and ill feeling amongst employees.

One-Man Sections

In some shops each salesman has his own particular section of the stock so that the question of who shall serve the customer is decided by the lines in which she is interested. There are two objections to this system. First A customer who has several purchases to make has to

be served by several salesmen, which is annoying to her, a waste of time to all concerned, and a cause of lost sales, as no one is able to visualize the customer's purchases as a whole and follow up any sales opportunities suggested by associating them

Second There is danger of the salesmen monopolizing their sections, so that no one else knows the stock, and customers cannot be served properly in the salesman's absence. It is annoying and absurd for a customer to be told that the only salesman who can serve her is at lunch or tea, yet this happens daily in some of the largest stores

In some trades, particularly furnishing and tropical outfitting, it is necessary for certain customers placing "general orders" covering goods from a number of departments to be served by a "general" or "rover" salesman who can escort them round the shop, advise them generally, and sell them goods from any department. Thus "serving through" is a very valuable service to customers as, provided the salesman is proficient, it gives them expert advice on their purchasing problem as a whole and they can say how much they are prepared to spend and let the salesman suggest the allocation of this amount and submit the individual items for inspection. None but the most proficient and reliable salesmen should be employed on such work.

*Rover
Salesmen.*

If there are only a few "rover" salesmen, and their comparative proficiency and terms of employment enable an "order of service" system to be arranged, they can be "called on" in order of seniority, but where a large number of rover salesmen of more or less equal ability are employed, it is advisable to give them all equal opportunities. This can be done by operating a "rota," by which the salesmen serve in consecutive order, according to the position of their names on a list.

In a typical furnishing store the salesmen sign their names on a "rota sheet" as they arrive in the morning and the order of arrival governs the consecutive order of "calling on" all through the day. If a salesman is not available when his turn comes he misses it and the salesman next on the rota takes the customer round. This method of preparing the rota sheets makes for punctuality as the men are paid principally by commission and, in slack seasons, the last salesman to arrive may wait all day without having an opportunity to serve

*A Service
Rota.*

It must be admitted, however, that with the rota system there is sometimes a tendency in busy seasons for salesmen to hurry unimportant customers in order to get back to the entrance in time for their next turn

A system employed to regulate the order of service should never be permitted to overrule the customer's right to be served by the salesman she prefers or the salesman most qualified to satisfy her requirements. If a customer asks for a particular salesman, or requires specialist service which a particular salesman can give that salesman should be allowed to serve her, if he is available, irrespective of seniority or position on the rota. Some retailers are afraid to allow their salesmen to build up personal connections, but this is a short-sighted policy, as such connections are a convenience to customers and, therefore constructive of business and the risk of losing customers through the loss of a salesman is usually unimportant in comparison with the advantages to be gained. Customers should not be inconvenienced for the sake of system, or because the retailer has no faith in his ability to keep his employees

In some shops it is advisable to employ "receptionists" to receive customers and take them to the section they require, handing them over to the salesmen, or, alternatively, to "call on" the salesman who is next in order of service. The expression 'call on' reminds one that the receptionist is the modern prototype of the 'shop walker,' the pompous individual who loved to show his 'authority' by bawling out the names of the salesmen and the customers' requirements, to the embarrassment of all concerned.

The skilled receptionist's methods are very different. He is unobtrusive and unassuming, doing his work quietly, tactfully and confidentially, paying close attention to the type of customer who likes to be valeted, but refraining from approaching a customer who is likely to be embarrassed or annoyed by his offer of assistance. He can render many little courtesies and attentions to the customers, and do much to make them feel welcome and at their ease.

This is not a suitable job for a novice, and the practice of employing juniors as receptionists or 'guides' is not to be recommended, as they may prove to be nothing more than a nuisance to the customers and a hindrance to the salesmen. Some customers, of real

or assumed importance feel that it is an indignity to be received directed or escorted by a junior

In considering the employment of receptionists it must be remembered that all salesmen have to act as hosts or receptionists at times *answering questions and directing customers to other parts of the shop* and a skilled receptionist sets an example to the salesmen as to how a customer should be received and directed

It has been pointed out that salesmanship enables sales to be made which would otherwise be lost This applies particularly to the many cases in which the customer is undecided whether to purchase an article or not and the sale depends on the salesman's ability to make the article appear attractive and good value for money With many articles there is a considerable margin between the apparent value and the price asked and this margin has to be covered by skilled description and demonstration on the part of the salesman Study of his customer knowledge of his stock and persuasive skill will enable him to describe the article attractively and stress the good points about it that are likely to appeal to the particular customer and also to handle the article in a way that will enhance its apparent value and demonstrate its attractive features Very few salesmen are able to do justice to the goods they are selling either in talking about them or in showing them to customers and it is not unknown for a customer who has indignantly turned down an article at one shop to buy a precisely similar article at another shop where a skilled salesman was able to make it attractive to her

Avoiding
Lost Sales

Salesmanship is also of vital importance where the customer has an indefinite want instead of a definite order and the sale depends on the salesman's ability to visualize the customer's requirements and submit merchandise that will satisfy her The complaint often made by customers that salesmen appear stupid when asked to suggest articles to be given as presents or to meet some other need of the customer is largely due to the unskilled salesman's inability to visualize the customer's requirements or his ignorance of the uses of his own merchandise

Indefinite
Wants

The customer's reluctance to buy from an ignorant salesman is often a measure of self preservation She realizes that his ignorance is a danger to her as it might lead her to waste her money or prevent her getting the best value for money or the article most suited

to her needs. The customer has especial reason to avoid the sales man who has personality and some persuasive skill, but insufficient knowledge behind them.

An experienced shopper, making an important purchase, feels, rightly enough, that she is entitled to expert service, and she goes to the shop where the salesmen are qualified to give it.

The unskilled salesman usually looks upon his stock as finality, and a customer's request for a line not in stock is regarded by him

Special Orders	as a lost order unless he can sell her a substitute line but unskilled attempts to sell substitutes often do more harm than good, as customers may think that inferior goods are being foisted on them, and an ignorant salesman can make serious mistakes in recommending substitutes for lines he knows nothing about.
-------------------	--

In many trades the variety of lines advertised to the public by manufacturers is far too great for the average retailer to carry them all but he is in position to obtain supplies at short notice for a customer. Offering to obtain a line specially for a customer is far safer than trying to sell her a substitute, although it will often be found that she is more willing to consider a suitable substitute when the salesman has first shown willingness to obtain the line she asks for.

In other trades, goods have to be adapted so closely to the individual requirements of customers that the majority of the goods sold have to be made or obtained especially for customers as in the high class furnishing or men's tailoring trades.

There need, therefore, be no limit to the variety of merchandise which a retailer can supply but customers will want definite and

Selling without the Goods	precise information about goods they are asked to order specially and the salesman must, therefore, have a comprehensive knowledge of his trade and of merchandise which can be obtained as well as of
---------------------------------	--

merchandise which is in stock, and he must also have vision, descriptive ability, and persuasive skill. The retailer or buyer has, of course, to play his part by supplying the salesmen with models, photographs, patterns, samples, and printed matter which will assist them in obtaining customers' orders for goods not in stock. Organizing for special order business is dealt with in Chapter IV.

Ignorant salesmen can also make serious mistakes in taking

special orders as unless they are able to ascertain the customer's exact requirements and interpret them correctly in requisitioning for the goods, the customer may say the goods made or obtained are not what she wanted and refuse to accept them. This is also likely to happen if an idea the customer and salesman have been working on proves to be impracticable and the retailer may have to take into stock large quantities of expensive goods which are so individual as to be unsaleable in the general run of business. It is, therefore, dangerous for a retailer who does not employ skilled salesmen to attempt special order business—a lesson some department stores have learned from bitter experience.

The greatest scope for sales persuasion by personal salesmanship lies in increasing the amount spent by individual customers, either by inducing them to buy a larger quantity or a better quality than first intended or by inducing them to buy additional articles. This form of sales persuasion is only sound when it is a service to customers and is appreciated by them as such, therefore, a salesman practising it needs powers of observation and discretion as well as persuasive skill.

Additional
Sales

In some cases a salesman can point out decided advantages to the customer in buying a larger quantity or better quality and, where this can be done without embarrassing the customer, the practice is sound. Similarly if a salesman in serving a customer with an occasional requirement is able to draw her attention to an article which is a necessary complement to it, or in serving a regular customer with everyday requirements is able to remind her of an article she has forgotten, he may save her considerable trouble and annoyance.

Such constructive suggestions show that the salesman is taking a personal interest in the customer's shopping, but even this may be resented by some difficult customers so that the skilled salesman will often refrain from making a suggestion that would seem obvious to a novice. It follows that a retailer who does not employ skilled salesmen must beware of encouraging his assistants to try to obtain additional sales as they may do more harm than good. Some retailers tell all their assistants to say, 'Is there anything else madam?' at the completion of a sale—another example of the use of system as a substitute for salesmanship—but even this ineffective and

Discretion
Required

she is prepared to go to considerable trouble and expense, and even the wealthiest people begrudge paying the fees of independent experts when they can get expert advice for nothing at any of the leading specialist shops

The average chemist's salesman has to give far more advice in a day than many doctors do in a week, and many of them have a far better local reputation, possibly because the chemist's salesman usually shows more sympathy with sufferers from minor ailments. Expert service, proved by test, gives the customer great confidence in a shop and she is likely to look upon its salesmen as her consultants in everything connected with their trade, which means that, so long as her confidence is not abused, her business is assured to the shop. A reputation for expert service is a very valuable one to a retailer and a deciding factor in competition between rival shops.

It is also important to note that expert service opens the way to another very valuable form of sales promotion—recommendation by customers. Salesmen with expert knowledge are so rare in many trades that a customer who discovers one looks upon him as something of a 'find' and tells her friends. Customers' Recommendations Recommendations from enthusiastic customers are more convincing than any form of advertising, and it is in this way that the most substantial form of retail goodwill is built up.

A reputation for expert service is far more lasting than a reputation for attractive merchandise as it attaches more closely to the shop, is cumulative so long as the standard of service is maintained, and is not seriously affected by the coming of a new competitor, whereas "merchandise goodwill" is transient and often evaporates on the opening of a new rival shop with fresh stock.

Where a retailer wishes to give his business a distinctive character by adopting some form of specialization, salesmanship may make all the difference between success and failure. A specialist reputation can only be earned by specialist service, and unskilled salesmen cannot give specialist service. For example, if a chemist sets up as a "specialist in photographic supplies" his salesmen will be tested by keen photographers, and if they fail to pass the test the project will fail no matter how much may have been spent on advertising.

A business which specializes in one particular class of merchandise gives great scope to the skilled salesman as he is able to master the range of merchandise coming within the scope of the business and use his expert knowledge to the best advantage. In the common place business which deals with a bewildering variety of merchandise and carries the products of many trades a salesman cannot acquire an expert knowledge of every line and where his expert knowledge is confined to one section of the stock only his talents are, to a certain extent wasted in serving from the other sections.

The retailer who specializes in high-class business must also have skilled salesmen as the customers must be treated with marked respect and discretion and the merchandise must be presented to the customers in a way that will convince them of its quality. Questions of style, fashion and etiquette may also have to be considered and this is work for the expert.

It has been pointed out that advertising and displays usually go only part of the way towards selling goods and the salesman has to complete the sales promotion work and secure the order. Advertising presents to the potential customer brief descriptions and rough illustrations of merchandise. Owing to limitations of space and reproduction these descriptions may not do justice to the merchandise but if the advertisements are skilfully produced they should arrest the reader's attention, arouse her interest and set her thinking about the offer and the merchandise. The advertising makes a suggestion to her—that she should purchase, use, eat or drink certain goods—and if she thinks about this seriously her thoughts are likely to crystallize into certain questions and possibly certain objections.

The advertisement itself is not likely to answer these questions and objections—it is impossible for an advertiser to foresee all the questions which will arise in the minds of readers—and although window and interior displays of the goods may increase the potential customer's interest in them they will not give her the information she requires.

Her interest in the goods will not be turned into questions and objections unless and until she obtains satisfactory answers to her questions and objections and she goes to the salesman for these. If he is proficient he will be able to answer her questions precisely and convincingly to counter her

objections tactfully and to present the goods to her in a far more attractive manner than they were presented in the advertisements and displays and so secure her order

On the other hand if the salesman knows nothing about the advertisements and very little about the goods advertised—a lamentable state of affairs which is by no means uncommon—the customer's interest is likely to evaporate and the order will then be lost. The customer cannot be expected to be enthusiastic about advertised lines unless the salesman who sells them appears enthusiastic

Advertisements must be brief and must generalize—appealing to the 'majority'—so that, however effective an advertisement may be, there are usually many potential customers to whom it does not appeal. For example, customers may have noticed that a shop is advertising a new silk material and showing it in the windows, but have taken no interest in it yet when a salesman draws the attention of one of these customers to the material and tells her how *she* can use it, the offer takes a definite shape, and becomes interesting to her. An advertisement may suggest a dozen ways in which an article might be used and yet omit the only one that would make it attractive to many people so that it does not strike home to them. In short, when advertising appeals to the majority of people, the salesman must look after the minority

When
Advertising
does not
Appeal

There is the further point that advertising often meets the potential customers at inappropriate times so that an offer which greatly interests a reader may be forgotten almost immediately afterwards in the pressure of her affairs. Window and counter displays may remind her of the goods and their prices but not of the points in favour of them and a personal reminder by a salesman is therefore far more effective

Many people neither read nor trust advertisements and yet have considerable spending power and are likely to be attracted by the advertised goods as presented by a skilled salesman

The skilled salesman takes current advertising as his cue in introducing lines to customers showing the advertised lines and talking about them to customers likely to be interested. In this way he profits by any good impression the advertising has made on the individual customers. He does not know whether his customers

satisfactory, but really to look for further sales opportunities. Such "courtesy calls" are appreciated by customers, and may be of great assistance to people who have not yet completed the furnishing of their homes and are glad to have expert advice which may consistently take the form of the recommendation of additional purchases. Orders obtained in this way may amount to considerably more than the original purchase and once the salesman has become adviser on furnishing to the customer he is likely to be consulted when any further purchases are contemplated. This work also leads to introductions to other members of the customer's family.

Salesmen in the furnishing, household appliance, wireless, musical instrument, motor, or other trades may also be sent to follow up showroom inquiries or demonstrations which have not been brought to a successful conclusion. Many articles can be demonstrated much more effectively at the customer's home than at the showrooms, and the demonstration is more helpful and convincing to the customer as she can see the article under the conditions in which it would be used by her.

Customers cannot always be expected to purchase an expensive article on first seeing it, but if they are obviously interested, the demonstration should be followed up almost immediately, while they are still considering the purchase. Intending purchasers are sometimes surprised to find that they can inspect pianos or motor-cars, for example, at a dozen showrooms without being asked for their names and addresses and that when they volunteer this information they do not hear from the salesman, except perhaps for a circular or two. The explanation is either that the salesmen they meet are inefficient or that the salesmen are not allowed to follow up inquiries in person, owing to shortsightedness on the part of their employers.

Where the retailer has a record of his customers and their purchases, as in the case of "account" customers, he can send salesmen to investigate closed accounts, i.e. cases in which customers have not made purchases for some time, with no apparent reason. Closed accounts mean lost customers, but they may not be irrecoverable, and a visit from a skilled salesman may be the means of reopening an account. He should at least be able to find out what has happened.

The danger of a closed account is that the customer may have been dissatisfied with the retailer's goods or service and may have ceased to deal with him instead of making a complaint in which case she may be nursing a grievance and telling her friends of the retailer's shortcomings. The salesman's visit may lead to a reconciliation and also draw attention to some fault in service or merchandise which should be remedied.

Sometimes customers cease to deal at a shop because they feel that their patronage is not appreciated and the salesman's visit will prove to them that this is not the case. Recovering a lost customer is as good as gaining a new one if not better.

A retailer who holds important local agencies for proprietary articles such as vacuum cleaners, lawn mowers and refrigerators which are extensively advertised by the manufacturers may send his salesmen out to canvass from house to house in order to compete with salesmen representing manufacturers who sell directly to the public. Such sales are valuable and the salesman representing a well known local shop has a great advantage over a stranger to the district provided he is equally proficient at selling and demonstrating.

Specialty
Selling

It is advisable for the ground to be prepared for the salesmen by sending literature through the post a day or two in advance of their visit.

Where a retailer selling mainly for cash has been sending sale catalogues and other printed matter regularly to a large number of local residents he may find himself in the position of having an uneconomically large mailing list but of being unable to classify the names and addresses with a view to eliminating the least promising. In these circumstances salesmen may be sent to call on the people whose names are on the list to offer them some special line and incidentally to find out whether they are customers and if not whether they take any interest in the printed matter sent them by the retailer.

Revising a
Mailing
List

This is valuable research work as it is a test of the ground and also of the retailer's direct mail advertising and may bring constructive criticism. It adds a personal touch to any impression made by the advertising and if the line the salesmen are carrying is attractive good business should result.

It is important to note that salesmen selling non perishable goods from house to house—as distinct from calling for orders for later delivery—must have hawkers licences

Canvassing by salesmen need not occasion the employment of additional staff as it can often be done by the inside men during the quiet periods of the day or in slack seasons. Most ambitious salesmen would rather be out after business (and commission) than standing idle in the shop

Work for
Slack
Periods

It goes without saying that only proficient and reliable salesmen should be employed on outside work as they will be going into people's houses as representatives of the retailer and will be working without immediate supervision. An unskilled salesman can easily make a fool of himself and give a bad impression of his shop in canvassing.

Some employers are reluctant to let even expert salesmen visit customers for fear that they will waste time but there is an effective check on them—sales and particularly comparative sales where a number of men are employed. The amount of time a salesman spends on outside calls must be considered in relation to the number and value of the orders he brings back with him and the importance of the new customers he is able to introduce to the shop.

However careful a retailer may be in selecting merchandise and organizing the service of customers there are bound to be occasions on which a customer is disappointed or dissatisfied with the goods or service she has received and may make a complaint or claim. Bad salesmanship itself is the cause of many complaints including those of goods not being as ordered, incorrect quantities supplied, overcharging, wrong change, forgotten orders, incivility and inattention to mention only a few. Complaints of goods being unsatisfactory may be due to salesmen selling the customers goods unsuitable for their purposes and complaints of late delivery may be due to salesmen making rash promises.

Complaints
and Claims

An ambitious retailer who neglects the human element is sure to have trouble with complaints. Comprehensive service and extensive advertising always bring more complaints than simple unassuming cash and carry retailing as customers expect more of the shop and a far higher standard of salesmanship is required. If the salesmen are unable or unwilling to live up to the advertising

disappointments and dissatisfactions on the part of customers are bound to result. Only a small proportion of these disappointments and dissatisfactions may be brought to the notice of the retailer and his staff in the form of complaints or claims by customers, but this is a disadvantage rather than an advantage, as the customer's alternative to complaining may be to transfer her patronage to another shop.

The customer who complains gives the retailer a chance to apologize and put matters right, if he can, and so retain her custom. She also warns him of a defect in his merchandise or service and thus may save him the loss of other customers. On the other hand, the customer who withdraws her patronage without comment leaves the retailer ignorant of his shortcomings and as, instead of telling him, she is likely to tell his rivals and her friends, she becomes a hidden danger to him.

Complaints
Should be
Welcomed

It is therefore, far better for the customer to make a complaint than to nurse a grievance, but there is, of course, still danger of her custom being lost. Her complaint is usually made to the salesman who served her, and a satisfactory settlement of the matter largely depends upon the way in which he receives her complaint.

Proficient salesmen fully appreciate the importance of complaints, and can be relied on to receive the complaining customer courteously, to take a sympathetic and friendly view of her troubles, to give her a ready and sincere apology for any mistake, and to put matters right as quickly and as pleasantly as possible within the limits of their authority, of course.

Unskilled salesmen, however, are prone to look upon the complaining customer as a nuisance, to receive her in an antagonistic manner, to belittle her troubles, to make absurd excuses, and to try to browbeat the customer into withdrawing the complaint, especially if they are primarily responsible for her dissatisfaction. Even if they are authorized to exchange defective goods they may do so in such an ungracious manner that the customer is annoyed or humiliated and her patronage lost.

Good salesmanship not only means fewer avoidable complaints, but the more amicable settlement of unavoidable complaints and, therefore, fewer lost customers.

The retailer must of course assist towards the prompt settlement of complaints by having a definite policy and defining the authority of the salesmen and others in regard to them. He may give instructions for all complaints to be referred to him or to the departmental managers or buyers or he may give the salesmen authority to settle complaints personally with certain reservations. Speed of settlement is a very important factor in deciding who shall deal with complaints as a customer's grievance usually magnifies all the time it remains unsettled and if she is made to wait for a decision or to repeat her complaint to several different people she is likely to become annoyed and difficult to placate. A customer's request for goods to be exchanged may develop into a demand for her money back and a request for goods to be altered may develop into a cancellation of the order.

There is therefore much to be said for giving senior salesmen authority to grant reasonable requests which do not occasion any trouble or sacrifice for the retailer—such as the exchange of goods returned in new condition. Requests which are unreasonable or may involve the retailer in loss should be referred to a superior by the salesman as an unreasonable customer may make more and more unreasonable demands if her requests are granted without hesitation and where a retailer has to make a sacrifice it is advisable for him or his manager to go into the matter—or at least have an opportunity of doing so—before he is committed to a loss.

The question of how much responsibility a retailer should take in connection with the goods he sells is a very important one to be decided in order to be prepared for complaints of defects, bad condition or unsatisfactory wear of merchandise. Some retailers interviewing complaining customers themselves will adopt a not my fault attitude and say that the best they can do is to refer the matter to the suppliers. This is the cause of many lost customers because a customer naturally feels that if a retailer will not take responsibility for the goods he sells it is not safe to deal with him. It is very important therefore for a retailer to leave the suppliers out of the matter until he has settled with his customer and to take the complaint up with them afterwards.

Suppliers are influenced to a great extent by the way in which a retailer refers complaints to them. If he passes all and sundry complaints on to them in a disinterested manner they are not likely to take his goodwill with his customers into consideration in giving their decision but if he uses his own judgment and only refers to them complaints which he has considered serious enough to justify immediate settlement with the customer, they can hardly quarrel with his decisions.

In dealing with customers' claims for replacement it is important to remember that the amount at stake is not the cost of the article to be given in replacement, but the value of the customers' patronage. In refusing to replace an article costing him 1s. a retailer may lose a customer whose business brings him £100 a year in gross profit.

Although it might be possible in some cases to persuade customers to keep goods they have complained of, this practice should be avoided, as the goods will be a lasting reminder to the customer of the retailer's failure to satisfy her.

CHAPTER XII

STAFF CONTROL

IN planning the arrangements for the selection training and general control of his staff the retailer is organizing the personal element of his business—one of the most vital factors

The part which salesmen may play in building up a retail business has been outlined in the preceding chapter and it will be understood that clerical and manual workers may also be business builders. Cashiers clerks workroom hands and dispatch porters and drivers are all engaged either directly or indirectly in giving service to customers and many of them come into personal contact with the customers

The retailer's object therefore is to build up and maintain a team of efficient enthusiastic loyal intelligent and hard working employees which will be sufficient in number and ability to give his customers the service he has undertaken to provide. It must however be borne in mind that salaries wages and commissions are usually the heaviest item on the retailer's expenses account so that the staff costs must be watched closely and continually. There should be economy with efficiency.

Organizing
the Personal
Element

In a small business the proprietor usually deals with staff control personally and can be expected to see that there is no extravagance but he cannot always be expected to obtain value for his money. There is an extraordinary difference in the amount of work which different employers can get out of the same employees in return for the same wages. This is not a matter of bullying and blustering—as quite a number of retailers imagine—but of leadership and inspiration. Some employers bring out the best in an employee others bring out the worst in him.

In a big establishment the staff costs must be controlled by means of targets and sanctions. A certain sum will be provided for this item in budgeting for an ensuing year and will be allocated to the various sections or departments of the business according to their requirements and the policy of the management. It is

obvious that in a business with many departments it is impossible to give the departmental managers a free hand to employ as many assistants as they like or to pay them what they like. Managers naturally desire to have as many assistants as they can and there is a strong tendency for staffs to increase beyond the economic level. Ambitious workers expect to pass their duties to assistants and to enjoy a steadily increasing salary but there may be no increase in their sales or usefulness to justify this.

Staff Control by
Sanctions

The principals must therefore keep a tight rein on the staff costs and arrange for a continual check on commitments. Rationing of staff commitments is even more important than rationing of commitments for purchases because staff commitments are recurring. An unnecessary appointment or an unjustifiable increase in salary represents a loss of so much money per week until it is stopped and dismissals and reductions in salary are unpleasant and injurious to staff *moral* and goodwill.

It is possible to give each departmental manager a sanction of so much per week or per annum for expenses and keep him within this limit but most of the larger firms now go further and make staff management a separate function in their organization appointing a staff manager to supervise the employment, recruiting and training of all the employees.

The staff manager watches the labour market and acts as a recruiting sergeant for the house. He may be said to deal in salesmen and clerical and manual workers hiring them and providing them to the departments just as the advertising manager provides the departments with publicity and the display manager provides them with displays. In all cases these services are provided in accordance with the targets and allocations fixed by the management.

The Staff
Manager's
Work

The staff manager does not have to decide the number and cost of the staff to be employed in each department—the management decides this and instructs both the staff manager and the departmental managers concerned—but he has to see that the management's instructions are adhered to and use his skill to secure the best value for money in the staff of every department. Apart from acting as a watchdog of the Treasury he has to justify his own employment by giving efficient service to the departments.

The chief advantages of establishing a separate staff department may be summarized as follows (1) the work of staff selection and supervision is centralized in one office to which all staff matters may be referred (2) the departmental managers are relieved of the detail work of staff recruiting and correspondence in connection with past present or prospective employees (3) the number of persons employed in the various departments and the wages paid them may be kept within limits prescribed by the management (4) the employment of temporary assistants or of a floating staff to give temporary assistance in various departments is facilitated (5) departmental managers can be prevented from competing with one another for desirable employees (6) where desirable rates of remuneration and conditions of employment may be made uniform throughout the house (7) employees who are dissatisfied with their conditions of employment or wish to transfer to another department may appeal to the staff manager and need not therefore be lost to the house (8) the staff department can make a close study of the labour market and arrange channels for the regular supply of employees particularly beginners (9) the training and commercial education of the employees are more easily organized and the personnel of the staff department may include one or more instructors qualified to give expert advice and tuition (10) the staff department can organize staff welfare and sports and social events catering for the whole body of employees (11) the staff manager may represent the house in negotiations with employers associations and trade unions

The above summary gives some idea of the scope of the staff department's work. In a large establishment there is sufficient to keep a manager and several assistants fully occupied on staff control but in shops of medium size the function of staff control is often performed by an executive with other duties e.g. by the secretary of a private company where there is not a great volume of secretarial work

The staff manager is usually in very close touch with the principals and can appreciate the aims and problems of the business as a whole much better than the average departmental manager while specialization in staff control work should give him a keen

sense of values in men and women and ability to get the best out of them

It is important however that the establishment of a separate staff department should not mean sacrificing the benefit of the ability to select and train employees which many departmental managers possess. The staff manager cannot be expected to have an intimate knowledge of all departments the details of their work their peculiar problems and the precise qualifications which recruits for specialist departments should have and it is therefore necessary for him to work in close co operation with the departmental managers. It may be helpful to give a few illustrations from a typical department store showing the relations between the staff manager and the departmental managers.

If for example a departmental manager considers that he needs an additional salesman he will ask the staff manager to get him one giving particulars as to the age experience qualifications and rate of wages and commission he has in mind for the new salesman. The staff manager will discreetly ascertain whether the departmental manager in question is entitled to add another salesman to his staff. He can do this by comparing the number and cost of employees on the wages list with the number and cost sanctioned for the department.

Relations
with other
Departments

Requisitions
for
Additional
Staff

If he finds that the departmental manager has no margin of sanction to cover the suggested additional expense he will ask the departmental manager to see the managing director about the matter and the departmental manager will have to sell the managing director the idea of having an additional salesman in the particular department. A departmental manager must of course make out a good case for exceeding the sanction allocated to him for example that there has been a big increase in the turnover of the department since the sanction was fixed.

When the departmental manager's right to an additional salesman has been established the staff manager advertises the vacancy in the Press and notifies any employment agencies with which he is in contact so as to get the full benefit of the labour market and draw a number of applications.

Filing a
Vacancy

The applicants are interviewed in the first place by the staff manager who weeds them out, selecting the most promising and sending them to the departmental manager for him to make the final selection. The departmental manager has the final choice and the staff manager has to go on sending him applicants until he is satisfied. The staff manager therefore acts as an 'employment agent' for the departments but the effect of this is that the departmental managers cannot engage anyone who has not first passed the scrutiny of the staff manager, who has to consider whether an applicant is a desirable employee from the viewpoint of the principals.

When a departmental manager wishes to increase the rate of an assistant's remuneration he consults the staff manager before making any promise to the assistant. The staff manager will consider whether the sanction for the particular department will permit of the increase, and whether the suggested new rate of remuneration is consistent with the general policy of the house. An unjustifiable increase is likely to bring a flood of unjustifiable demands for increases from all departments, and as a departmental manager is not likely to concern himself with the repercussions in other departments of the increases he secures for his assistants the staff manager has to give special consideration to this point.

If the staff manager cannot be persuaded to sanction the increase, the departmental manager may appeal to the managing director, but he will have to make out a good case for his assistant.

When a departmental manager wishes to dispense with the services of an assistant he consults the staff manager before taking any action. The staff manager has to consider whether the trouble is due to the assistant, to the manager, to a clash of personalities or to circumstances peculiar to the department. He is not likely to try to persuade a departmental manager to keep an assistant the departmental manager has objected to but if he thinks the assistant is still a desirable employee, he may try to find him employment in some other department.

Applications for extra holidays, special leave, payment for overtime, and any other grant or allowance of time or money, must also be referred to the staff manager for his approval as important questions of house policy may be involved.

Some departmental managers do not like to have to consult a staff manager before making engagements or dismissals, or giving increases, holidays or overtime but the majority of them would rather not take full responsibility for decisions on staff matters. Their authority is sustained by the fact that recommendations must be originated by them, but there is some advantage in being able to tell a disgruntled assistant that a decision against him has been made by a central authority.

Need for
Diplomacy

The attitude of the departmental managers naturally depends to a very large extent on the way in which the staff manager discharges his duties. If he has an attractive personality and works tactfully and discreetly they will look upon him as a useful friend, and realize that his service saves them a great deal of trouble and some embarrassment, but if he is bumptious and arrogant (failings by no means unknown in staff managers) he will be looked upon as an unnecessary obstruction.

The supply and demand for retail assistants of all kinds are greatly affected by general trade conditions. When trade is good there are not enough of either experienced men or beginners to go round, and when trade is bad there appear to be far too many of both. Hence the small shopkeepers' complaint that when he wants assistants there are none to be had, and when he does not want them he is besieged by applicants for employment.

The Labour
Market

The problem is, however, common to all retailers, and the staff managers of big stores may be turning away proficient salesmen one month and having to 'make do' with quite unpromising recruits in a few months' time. It follows that the time to get in touch with desirable employees is during periods of depression, even if they cannot be engaged then and the system of recruiting should provide for this.

A retailer or staff manager should look upon himself as a "collector" of proficient assistants and promising novices and always be ready to make the acquaintance of one, even if there is no existing vacancy. In many big establishments applications for employment are received all day long in periods of depression, most of the applicants presenting themselves at the staff entrances. The time-keepers

"Collecting"
Desirable
Employees

or other officials on duty at the doors are notified of all vacancies, and they can therefore pass any promising candidates through to the staff manager but if there are no vacancies, applicants may be turned away curtly. In this way, the house loses opportunities of getting into touch with men and women who may be most valuable at some time in the future.

It is a far better plan to give all applicants a form similar to that on page 247 to fill up thereby placing their names and addresses and qualifications on record and enabling them to be called up at any time in the future if there is an opening for which they may be suitable. This form provides a space in which the person interviewing the applicants may record his observations regarding their appearance and bearing. If the applicants are made to fill up the form while waiting for the interview it will save the time usually taken up in asking questions and making notes, and enable the person interviewing them to concentrate on his study of their characteristics.

It is only necessary to keep the forms of those applicants who appear to be desirable employees and these may be filed away in a waiting list folder in alphabetical order under the name of the job or department to which the employee is most suited.

Written applications from would be employees which sound promising may also be filed in this waiting list. In many cases, such applications do not give essential information and it is then advisable to send the writer an Application Form to fill up. It is a good plan to make all new employees fill up an Application Form so that full particulars of them are available for the staff records.

The operation of a waiting list not only enables vacancies to be filled more satisfactorily it also enables them to be filled more quickly as the staff manager knows where to find eligible men. Applicants may of course, have obtained employment elsewhere in the meantime but will usually be willing to consider making a change.

When a vacancy occurs for which there is no suitable applicant on the waiting list, or which is too important to fill without taking advantage of the 'labour market' it is advisable to give it the fullest publicity in the Press. The most proficient salesmen, for

APPLICATION FOR EMPLOYMENT

Position Desired *Senior Salesman*
 Applicant's Full Name *Arthur Henry Harris*
 Present Address *364 Trimvale Road, Western*
 Permanent Address *As Above*
 General Education at *Western Central School*
 Commercial Training at *Apprenticeship see below*
 Special Qualifications or Examinations Passed *Textiles (Advanced) 1931*
 Department *Soft Furnishing*
 Nationality *British*
 Date of Birth *20th October 1901*
 Married or Single *Married*
 Number of Children *2*
 Date Disengaged *Now*
 Wages Desired *£5 per week*

PARTICULARS OF EXPERIENCE

Name and Address of Employer	Brief Description of Nature of Work or of Position Held	Date of Commencing	Date of Leaving	Reason for Leaving
<i>John Jones & Co High St Western</i>	<i>Apprentice and junior salesman in soft furnishing</i>	<i>1st Jan 1916</i>	<i>31st Dec 1923</i>	<i>Advancement</i>
<i>David David & Co Oxford St W I</i>	<i>Senior salesman in soft furnishing</i>	<i>1st Jan 1904</i>	<i>28th Feb 1931</i>	<i>Bankruptcy of employer</i>
Applicants must not write in this space <i>Good appearance and manners sound knowledge used to our class of trade</i> <i>B Warner</i> <i>Assistant Staff Manager</i>		Further remarks <i>I have a letter of introduction from Mr David</i> Date <i>2nd March 1931</i> Applicant's signature <i>A H Harris</i>		

example are rarely out of work and they do not frequent either public or private employment exchanges practically the only way to reach them therefore is through the morning or evening newspapers It is important to bear in mind however that such salesmen are unlikely to answer an advertisement in which the employer's identity is concealed under a box number A box number address suggests that the advertiser is of little importance or has something to conceal and there is the further point that salesmen in employment may be afraid to write to a box number in case the advertisement has been inserted by their present employer

Advertising
for Staff

The vacancy should be fully described in the advertisement and the qualifications expected of the applicant should be set out in full Vague advertisements couched in flowery language often appeal to the wrong type of person altogether and so waste the time of candidates and advertiser alike

Where appearance is of great importance applicants may be asked to send in a recent photograph or snapshot which will be a great help in selecting the candidates to be interviewed Such enclosures should be returned and it is always worth while to write a courteous letter to unsuccessful applicants as this creates a certain amount of goodwill and all public goodwill is helpful to a retailer

In order to regularize the engagement of new employees and prevent misunderstandings it is advisable to make every engagement the subject of a memorandum which can be signed by both the new employee and the person engaging him A suitable form for this purpose is illustrated on page 249 It is a good plan to have these forms printed in triplicate books The top copy signed by the staff manager and the new employee and duly stamped will constitute an agreement and may be passed to the counting house as a notification of the appointment and authority to pay the wages and commissions agreed upon The second copy may be given to the new employee as written confirmation of his engagement This gives a considerable amount of satisfaction to newcomers and therefore makes for goodwill It also helps to prevent controversies The third copy may be kept in the book in the staff department where it will be available for reference

Memorandum
of
Engagement

MEMORANDUM OF STAFF ENGAGEMENT

MEMORANDUM OF ENGAGEMENT

Made *4th March 1931*

Arthur Henry Harris of *364 Trimvale Road Westerton* is hereby engaged by RETAILERS LIMITED, General Drapers, of 1374 Regent Street London, W 1, as *a Salesman and General Assistant* in their *Soft Furnishing Department* and wherever else his services may be required by them commencing on *Monday 9th March 1931* and continuing from *week to week* subject to termination at any time by *seven days'* notice given in writing on either side. In consideration for such services he is to receive a wage of *Five pounds per week (£5 p w)* and a commission at the rate of *one per centum (1%)* on all sales made by him and accepted by RETAILERS LIMITED during the period of his engagement

For and on behalf of RETAILERS LIMITED

William Ford
Staff Manager

I hereby accept engagement on the above terms and conditions

A H Harris

In order to enable full particulars of any employee, and his record, to be found at short notice, it is advisable to keep a "staff record" in card index form, with a separate card for each employee. A suitable ruling for such cards is shown in the illustration on page 251, and it will be seen that this card not only gives a history of the employee's service with the house, but also particulars of all commendations or reprimands and reports made by his managers. In the case illustrated, the staff manager has obtained a special report on the boy's behaviour once a year—a very necessary proceeding in the case of juniors.

In big establishments it is advisable to hold yearly or half-yearly revisions of the staff lists, by a committee consisting of, say, the managing director, the staff manager, and the manager of the department under consideration. At such revisions, the position and progress of each employee can be considered in turn, and questions of promotion, salary increases, training, transfers, and dismissals can be decided. Unless this is done, there is danger in a large organization of promising employees being overlooked and neglected, and their talents wasted in a job they have outgrown.

In the case of senior salesmen the acid test is that of results, and especially of comparative results as between a number of salesmen with equal opportunities. The "Salesmen's Costs and Results Summary," on page 252, shows the comparative figures for a number of senior salesmen "serving through" the departments of a furnishing store. The target cost of salesmen in this case is $2\frac{1}{2}$ per cent of sales or, the other way round, the target for a salesman's turnover is £40 for every £1 he costs. The illustration gives a practical example of the "sliding scale" commission system, the commission being calculated as follows—

Judging
Salesmen
by Results

- $\frac{1}{2}$ per cent on first £10,000 of sales,
- 1 per cent on second £10,000 of sales, and
- 2 per cent on all sales over £20,000

Most retailers consider it advantageous to pay their salesmen a commission, which may be an important factor in sales promotion, but there is a great diversity of practice in regard to the method of calculation. In some cases the whole or major part of the salesmen's remuneration is by way of commission, so that they

STAFF RECORD CARD

Name	Drake, John William		Department	Carpets		
Address	291 Little Avenue, Kingston Surrey		Date of Birth	20th March, 1913		
Remarks	Nephew of Mr Brown, Linen Dept		Marrned or Single	Single		
PROGRESS RECORD						
Date	Report		Department	Position	Wages Rate per week	Commission Rate
May 1 1927	Commenced work (from elementary school) Report Smart, willing, and intelligent Increase in wages Report Good appearance and intelligent but restless—wants to be a salesman Transfer and increase in wages Reprimanded for unpunctuality Report Studying hard and making good progress Passed Junior Carpet examination Increase in wages Report Almost ready to take up selling Promotion and increase in wages		Advertising	Office boy	£ 5 d 15 -	
Feb 1 1928					1 - -	
June 1 1928					1 - -	
Feb 1 1929					1 5 -	
April 1 1929			Carpets	Learner		
Aug 11 1929						
Feb 1 1930						
Sept 1 1930						
Oct 1 1930					1 10 -	
Feb 1 1931						
April 1 1931				Junior sales	1 15 -	14%

SALESMEN'S COSTS AND RESULTS SUMMARY

Year Ended 31st January 1931

Salesman	Length of Service	Earnings			Sales Turnover	Cost per Cent of Sales	Remarks
		Wages	Commission	Total			
Blake	Years 5	£ 350	£ 213	£ 565	£ 23 266	% 2 4	Improvement on target
Bond	3	300	83	383	11 310	2 9	Unsatisfactory
Collins	21	400	280	680	26 506	2 6	
Fraser	1	200	52	252	10 194	2 5	Commented 1st March
Henderson	8	400	312	712	28 098	2 5	
Maxwell	5	150	200	350	22 490	2 4	Improvement on target
Murray	10	400	166	566	20 844	2 7	Away ill two months
Scott	3	300	113	413	16 337	2 5	
Turner	3	350	148	498	19 801	2 5	
		£3 050	£1 569	£4 619	£180 856	2 6	Target 2 5

are practically "paid by results, whereas in other cases a very small commission is paid in addition to a full wage the commission being intended merely to induce the salesmen to take an interest in their sales turnover

Remuneration
of
Salesmen

The commission scheme should be designed to suit the type of salesmen employed and the conditions under which they will work, and it is worth while for a retailer or staff manager to devote considerable thought to the relative merits of different schemes and their possible effects in his particular business

Payment by results may have its attractions from the economical viewpoint, but it does not make for harmonious working Salesmen paid wholly or mainly by way of commission are, to all intents and purposes 'in business for them selves,' and may be expected to compete with one another for opportunities, to press for immediate sales at risk of losing customers, to go against the policy of the house if it prejudices their earning power, to oppose discipline or organization in order to secure freedom of action, and to shirk any duties which are non selling and, therefore non productive from their point of view

' Payment
by Results "

Schemes of a competitive or ' money grabbing ' nature bring out the worst characteristics in a salesman There is the further point that salesmen "paid by results ' are likely to desert the house if any circumstance arises which is likely to reduce their opportunities, such as new competition, rebuilding fire, curtailment of advertising, or local depression in trade

It is important to note that commission or any form of extra payment is not an equal incentive to all salesmen, and does not always make its strongest appeal to the best type of employee A scheme which appeals to the proficient salesmen may be above the heads of the backward ones, while a scheme which serves to 'ginger up ' the backward ones may not attract the proficient ones

Commission
as an
Incentive

In considering any scheme of American or Continental invention, it must be borne in mind that avarice is not a characteristic of the average Briton, and there is a very strong tendency for our people to begin to "take it easy" when their income reaches a level at which they can live in comfort After this, they may be attracted by "easy money," but not by a proportionate addition to earnings in return for increased effort

A "sliding scale" commission scheme meets this difficulty to a certain extent, as the salesman earns a higher rate of commission when he passes certain targets, and the targets may be so fixed as to make this higher commission the reward of extra effort

"Sliding
Scale"
Commissions

A retailer who pays his salesmen a fair living wage, plus 3d in the £ commission, and finds their sales to be between £150 and £200 a month in all cases, may be able to offer double commission (6d in the £) on all sales in excess of £200 in any month. This offer should be a great incentive to proficient salesmen, and will cost the retailer nothing unless the normal limit of sales is exceeded, when he will only pay the double commission on the extra sales above the normal limit.

Some retailers only pay commission on sales made in excess of a target which is fixed according to the wages rate of the salesman.

If they target for a salesman's cost of 5 per cent of sales, a man earning £4 a week will have a sales target of £80 a week. When he reaches that figure he will have covered his wages cost and they can afford to pay him up to 5 per cent commission on any additional sales he makes.

Targets for
Individual
Salesmen.

Where any target scheme is in operation precautions must be taken to guard against salesmen who cannot reach their target passing sales to salesmen who can do so, a common form of collusion. It is advisable to make the periods as short as possible, setting weekly or monthly targets so that backward salesmen are not so likely to become disheartened as they are with quarterly or annual targets. Weekly targets give the backward salesman plenty of opportunities to make a fresh start and try again, whereas if he has to work for months with a hopeless deficit, he is apt to lose all interest in the scheme.

In some trades, salesmen are given 'premiums, i.e. extra commissions on certain lines, in order to encourage them to sell those lines in preference to others. Unfortunately, premiums are often offered to induce salesmen to "push" stale or out-of-date stock, or to recommend unknown lines showing a big profit instead of well known proprietary brands. In these circumstances, 'premiums' are evidence of short-sightedness on the retailer's part, and the effects may be damaging to his goodwill. Premium-giving is only sound when it is safe—when there

Premium
Commissions

is no danger of customers being suspicious of the salesman's recommendation or disappointed by the premium goods

It should never be forgotten that a commission scheme is only an incentive to greater effort. It cannot turn an ignorant or incompetent assistant into a proficient salesman. Unless the salesmen are proficient, a powerful incentive to greater effort may do more harm than good as it may lead to customers being pestered and driven away, or sold goods that they do not want.

Commission
Schemes
Do Not Make
Salesmen

In the preceding chapter it has been pointed out that the three chief factors in building up a force of proficient salesmen are careful selection, proper training, and inspiring leadership.

Careful selection is the first essential in building up a force of salesmen, because the retailer is here appointing representatives to deal with his customers on his behalf and personality must therefore be the first consideration.

Selecting
Salesmen

Salesmanship is often described as a natural gift which cannot be acquired, but this must not be construed to mean that salesmanship is a rare quality with which only a few people are gifted, or that good salesmen are born 'ready made'. The gift of salesmanship is a natural one, which is found in people of all ages, all professions, and all classes. It is merely the power to appreciate the feelings of other people and gain their confidence as the result of adopting a helpful, sympathetic, or kindly attitude towards them: the power to see the best in things and develop a contagious enthusiasm for them.

The so-called "born" salesman, who meets and mixes with all classes and ages of men, women, and children with an easy grace, handles and speaks of his goods with a genuine boyish enthusiasm, and always seems optimistic, observant, and energetic, is not an abnormal individual, but the most natural of men. His character and personal efficiency are not spoilt by such common failings as ill health, bad habits, irritability, affectation, or bashfulness. It is, therefore, a first principle, in selecting salesmen, to 'beware of the abnormal,' and watch for failings which would make a man unsuitable for sales work.

Aptitude
for
Salesmanship.

¹ The masculine gender is used throughout this chapter for the sake of simplicity but the recommendations apply equally well to saleswomen.

Retail selling is a severe test of health, and physical fitness is, therefore, a very important consideration in selecting staff. The salesman spends long hours in an atmosphere that may be close and enervating, working at high pressure during busy periods and standing about during slack periods with little or no change of surroundings from year to year. A person must be physically sound to stand the test, and any break down in health must have its effect upon the mind and temper. Ill health, or even tiredness, robs the salesman of the vitality and enthusiasm so essential to his work. It takes away the optimistic spirit that should enable him to see a sale in every inquiry, and also the powers of patience and perseverance that must be exercised in order to turn the inquiry into a sale. It also spoils his personal appearance, taking away that fresh, clean, or smart appearance that is so attractive to customers.

Some of the larger department stores will not engage any applicant unless he has been passed by their doctor as physically fit, and the doctor's veto is allowed to overrule any points of experience or knowledge which might make the applicant a desirable employee.

This protects the general health and *moral* of the staff from the introduction of persons suffering from contagious or infectious diseases, or from persons who show the effects of objectionable habits, and the value of this medical examination is proved by the large number of applicants "turned down," and the serious nature of some of the objections made to them. Even the small retailer can make arrangements for prospective employees to be examined by his doctor for a reasonable fee, and he will find this a good investment, as it will safeguard the general health and *moral* of his staff, reduce the amount of 'lost time' through illness, and reduce the number of failures amongst trainees to a very considerable extent.

It is not sufficient to ask the applicant to produce a medical certificate from his own doctor, as the applicant's doctor may not appreciate the purpose of the test, and may be inclined to give his patient the benefit of the doubt, in order to assist him to obtain employment.

The retailer who does not wish to employ medical assistance must rely upon his own observations and questioning in interviewing the applicant—a very poor alternative—but he should not overlook the consideration of physical fitness, as a great deal of time and

money may be wasted in training employees who afterwards fail through unfitness

Irritability obviously makes a person unsuited to retail selling but this is more the result of a condition than a condition in itself and can usually be attributed to ill health or some physical defect such as deafness in which case it will be discovered by a test of fitness

One does however encounter people who are physically fit but are obsessed by some mental condition that makes them irritable or intolerant of others. People with a religious or political mania or a jealous or embittered outlook on life are unable to give their undivided or unbiased attention and thought to their work and in view of the damage such people can do to a retailer's goodwill he must take precautions to exclude them from his staff. It is usually quite easy to discover their weaknesses at an interview provided one is on the look out for them.

Airs and graces on the part of a salesman are annoying to a customer and lead to bad feeling amongst employees therefore paltry pride snobbishness and affectation are failings to be watched for in selecting recruits

Affectation

Salesmanship as a career now attracts youngsters of all classes and the desire of many retailers to improve the tone of their staff has been misunderstood by many recruits who seem to think they can secure preferential treatment by assuming an air of superiority. The languid walk bored manner affected speech and unconventional dress of the person who wishes to be thought superior are quite out of place in a shop and where such affectations are habitual the person affected can only become a successful salesman if he has sufficient strength of character to throw them off. When an employer notices any signs of affectation in interviewing applicants for employment he should give them some plain speaking on the subject and see how they react to it. If he engages them without correcting them on this point they are likely to think that this air of superiority was responsible for their getting the job and may be expected to practise their mannerisms when they take their place in the shop offending customers with their off hand methods.

It is vitally important for a salesman to have the right attitude of mind towards his job his customers and his goods but

provided he is a normal, healthy being, this attitude of mind is largely a matter of training. Psychology plays such an important part in salesmanship that the employer of salesmen should train their minds. The correct attitude of mind for the salesman is one of sympathy and enthusiasm—understanding and seeing the best in his shop, his customers and his goods. The salesman should be able to appreciate the problems of his employer, to visualize the uses of his goods and to sense the feelings and interpret the wishes of his customers. Now, one cannot reasonably expect a youngster to enter shop life with this attitude of mind, and one must not assume that experience alone will train his mind correctly.

There are at least three other attitudes of mind which salesmen can and do show to customers—apathy, antipathy, and fear—and when a youngster is allowed to develop without guidance, leadership, or training these attitudes will probably come to him more naturally than a sympathetic one.

This explains why one meets so many apathetic salesmen of all ages in shops of all sizes and all classes. Apathy is a form of blindness or preoccupation which allows the salesman to see nothing of interest in his shop, his customers or his goods. As a result, his movements are mechanical, his sales talk is half hearted and parrot like, he is not observant enough to see opportunities and not keen enough to make the most of them. The customer's enthusiasm and interest in her purchases are stultified by his unresponsiveness, and his apparent stupidity makes her shopping an irksome trial instead of a pleasant excursion.

Salesmen must be trained to see the best in their surroundings. Their minds must be broadened, so that, instead of merely serving customers, they see themselves as helping customers to buy. The furniture salesman must be taught to think of his work as furnishing customers' homes and offering them comfort, rest and convenience, not merely as selling chairs and tables which are nothing more than pieces of wood to him. The ladies' outfitting saleswoman must be taught to look upon her task as helping customers to look their best and be dressed suitably for all occasions, not merely as selling jumpers and skirts.

Attitude
of Mind

Apathy

Broadening
the
Salesman's
Vision.

The effect of attitude of mind upon a salesman's work and volume of sales is amazing and little realized by employers. The salesman with vision who is helping his customers to buy can lead them to purchase better articles or larger quantities without fear of giving offence and can suggest additional purchases with confidence and please customers in doing so whereas the apathetic salesman's half-hearted attempts at sales promotion are likely to be resented.

The apathetic salesman's experiences with difficult customers are often unpleasant and there is danger that a series of unpleasant experiences may lead him to adopt an attitude of antipathy towards all customers feeling that they are up against him and that he is entitled to

score off them whenever an opportunity presents itself. This fed up feeling is far too common in big shops and stores where the training given is often confined to the rules and systems and may promote narrow mindedness rather than broad vision. The fed up salesman—commonly known as a customer killer—is a grave danger to his shop and there is little hope of his ever realizing that his own attitude of mind is responsible for the continual upsets that mar his relations with customers.

Fear of the customer must be expected in young salesmen who are put on to serve without proper training. It is natural that a boy or girl who has led a secluded life within a limited family circle will feel nervous and awkward when first brought into contact with a large number of strangers and this failing is speedily remedied by experience—provided the experience is pleasant. When however a young salesman is allowed to remain in ignorance of the technique of salesmanship and learns little or nothing about the goods he is selling his experiences are likely to be far from pleasant. He does not know how to deal with difficult customers and is likely to be

Fear of the
Customer

floored at any moment by a question about his goods. Under these circumstances he may never be able to conquer his fear of the customers or he may develop an antipathetic attitude of mind towards them. Youngsters must be taught that knowledge is power and gives confidence while ignorance always leaves one a prey to fear.

The above points show that the personality of the proficient salesman is largely a matter of training, either individual self development or organized staff training by employers. The number

of would be salesmen who realize what qualifications they require for the work, and are able to train themselves, is very small—these are the "born salesmen—and it would be a difficult and costly process for a retailer to build up a force of such 'ready made' salesmen. It is, therefore, easier and much more economical for a retailer to recruit youngsters of the right type—healthy and normal in mind and body—and train them, inspiring them with his own ideas and enthusiasm, and directing their studies.

Training Salesmen

It is best to take these youngsters straight from school, so that there is no break in their education and development, and there is no danger of their having been spoiled by working without proper training, and thus gaining unsatisfactory experience.

Since quite a large number of retailers make a fetish of "experience," it may be advisable to emphasize the fact that experience is not always beneficial to the employee. A youngster with a natural aptitude for salesmanship may enter a shop at the age of 14 as most promising "raw material, but after ten years 'experience' of working without proper training or leadership, may be an ignorant, blasé, and antipathetic "customer killer."

The "Experience" Fetish

It follows that the retailer must consider personality just as much, if not more in recruiting experienced men as in recruiting novices, and it may be necessary to give them special training.

In a business that is developing rapidly it is almost impossible to meet all the senior vacancies by promoting fully trained juniors, and the retailer frequently has to recruit experienced men. He must, however be sure that these experienced men have a natural aptitude for salesmanship and have been properly trained, and that their experience has been of the right kind.

Some 'experienced' salesmen despise 'theoretical' knowledge and have never studied the principles of salesmanship, they believe in learning by trial and error and are not interested in profiting by other people's experiences. This reluctance to learn about their job should be a danger

Value of Theory

signal to prospective employers. The value of "theoretical" knowledge lies in its grasp of fundamentals, and its broad application. Once a salesman masters the principles of salesmanship, he is able to apply them to any business to any problem, to any class of

merchandise, and to any type of customer, but the salesman who "learns by experience" is apt to be satisfied with narrow views and incomplete knowledge and to confuse principles with methods, and may be unable to adapt his methods to new problems

In these days, the opportunity to acquire a sound, theoretical knowledge of salesmanship is within the reach of all. There are many books on the subject, most trade journals and business magazines devote a considerable amount of space to it, lectures on salesmanship are provided by educational authorities and the services of expert instructors can be obtained at very reasonable fees

Sources of
Knowledge

This also applies to technical knowledge of merchandise. Every trade has its own literature and educational services.

All that the retailer has to do to secure the benefit of this tuition for his own business is to see that it is made available to his employees and see that they take advantage of it. This may reasonably be made a condition of their employment.

A young salesman cannot be expected to attach importance to the study of salesmanship or merchandise unless his employer himself attaches importance to it, and by advising and guiding his employees in regard to the sources from which they shall acquire their knowledge, the retailer may ensure their following lines of study of which he approves.

Youngsters are naturally imitative, and may be expected to follow the example of their seniors both in regard to methods and to attitude of mind. The employer himself, the managers, buyers, superintendents, receptionists, and salesmen will all be watched and "flattered" by imitation, so that a person in authority must never forget that he should be a *leader* as well as a *controller*. Management by good example is often more effective than management by command, but it is unfortunate that if one of the seniors is something of a 'character,' with mannerisms or methods of a theatrical or eccentric kind, the youngsters are most likely to imitate him. It is, therefore, very important for a new recruit to be placed under the supervision of a salesman who can be relied upon to 'bring him up in the way he should go,' and, in many shops, newcomers are appointed as assistants to the salesmen who are most likely to set them a good example and take an interest in their training.

The most successful salesman does not always make the best tutor as his methods may be too 'advanced' for a novice to use and he may not be prepared to devote any time to advising the novice or explaining things to him. A 'steady' salesman, with sound ideas and reliable methods makes a better teacher than does a brilliant individualist.

In big shops it is sometimes advisable to use one department or section as a nursery for the beginners selecting for this purpose a department where the seniors are steady, kindly salesmen with time to spare for the training of their assistants where the stock consists of simple lines not requiring much technical knowledge and where the routine is easily mastered. The youngsters can be kept in this department until they become efficient and then be transferred to the departments in which they are likely to be most useful.

Nursery Departments

In allocating novices to departments it is wise to consider their inclinations as they can pick up technical knowledge and sales persuasion and demonstration much more easily and quickly if they are interested in the goods they are handling and even the enthusiasm of a novice will influence a customer constructively. Some department stores allow novices to sample several departments before they settle down and there is much to be said for this plan, as a youngster's inclinations may be vague and uncertain.

It is to be regretted that the apprenticeship system at one time general in the retail trade is gradually dying out as this system wisely administered makes for more stable and satisfactory relations between the retailer and his novices, and for the more thorough training of juniors. Where the novice has undertaken to serve a four or five years apprenticeship his training and promotion can be planned on sound and progressive lines the employer feels justified in making some investment in him by paying his lecture fees and giving him books and the parents as parties to the indenture are likely to take more interest in the apprentice's progress and see that he does not waste his opportunities of studying and progressing.

Apprentice ship

Without this system youngsters are inclined to be impatient and try to run before they can walk going after a better job elsewhere as soon as they have acquired a smattering of knowledge, and parents often encourage them in this. This naturally deters

many employers from investing time and money in training them, and makes for a lower standard of efficiency in the trade.

Conditions are favourable to a revival of the apprenticeship system, and employers who prefer to train their own salesmen will do well to consider its use in the case of promising recruits. It is, of course, wise to give youngsters a short trial before undertaking to keep them for four or five years, even in an apprentice capacity.

In large establishments there is usually a 'staff instructor' or 'staff training department' entrusted with the work of preparing new recruits for service in the selling departments and following their progress. In a typical case, the staff instructor works under the staff manager, and assists him in interviewing and selecting applicants for employment. The staff manager usually deals with seniors and the staff instructor with juniors.

Staff
Instructors

When a new salesman is engaged he is handed over to the staff instructor, who gives him a copy of any 'Staff Manuals' or printed rules provided for salesmen, and goes through them with him, pointing out items that appear to apply particularly in his case and answering any questions. During this process the staff instructor 'sizes up' the recruit, considering the question of how he shall first be employed if this has not yet been decided and gives him any personal advice regarding dress, speech, or manners that may appear necessary.

Before the recruit passes to a selling department, the staff instructor gives him a general introductory talk on the shop as a whole, and the location and scope of the various departments, and also explains to him the forms and systems in general use for sales checks, delivery instructions, credit sanction, and other matters.

Initiating
Newcomers

The staff manager makes the necessary arrangements with the manager of the department in which the recruit is to start and requires to know the buyer's plans for training him and, in particular, who will be responsible for his training. The object of this is to ensure that every novice in the shop is someone's responsibility. Like the staff manager, the staff instructor must exercise tact and discretion in dealing with the departmental managers and must not operate in such a way as to undermine the departmental manager's authority over his staff. Some

departmental managers take a keen personal interest in training the youngsters entrusted to them, and would resent any "interference" by the staff instructor, whilst others may take no interest in them, in which case the staff instructor must look after them, but only as an adviser.

When it is necessary for a salesman to have experience in several departments—as in the case of a general furnishing salesman, who is required to spend a few months in each of the cabinet, upholstery, carpet, and soft furnishing departments—the staff manager will arrange his movements with the departmental managers concerned, and it will be the staff instructor's duty to follow this up and see that the salesman receives proper training in each department.

The staff instructor will usually conduct early morning, or evening, classes for the apprentices and novices, and any other salesmen who wish to attend giving them short talks on such subjects as the principles of salesmanship, advertising, display, how to talk about goods, how to handle goods, how to make suggestions for additional purchases, and how to deal with complaints.

Instruction Work.

The staff instructor's educational work may also include running a "staff library" of textbooks on salesmanship, retailing, and the various kinds of merchandise, and advising the salesmen on their studies, following the arrangements made by local educational authorities for lectures and classes on salesmanship, materials, and goods, and getting salesmen to attend them, arranging with the buyers for visits to suppliers' factories, trade exhibitions, or museums, and conducting examinations, proficiency tests, and competitions in salesmanship.

A staff instructor of the right type can play a very important part in improving the selling efficiency of the staff and also in promoting goodwill and contentment amongst the salesmen. Many youngsters are afraid to ask their buyers or seniors for advice for fear of appearing ignorant or over ambitious, but welcome the opportunity of consulting a friendly staff instructor who acts only in an advisory capacity.

While it is obvious that a salesman's persuasive skill largely depends upon his personality and knowledge of his goods, technique is a very important factor, and in training salesmen it is possible to improve their selling power to a very considerable extent by

showing them the best way to handle the details of their job. The way in which they address the customer, the order in which they proceed with the various parts of a sales interview, the words they use, and the way in which they handle the goods they are showing all have a very important effect upon the customer and, therefore, upon the success of the interview. Sales
Technique.

The novice can hardly be expected to appreciate fully the principles of salesmanship, or to be able to apply them to the details of his work, and his employer or instructor has to do this for him. It is neither possible nor desirable to prescribe words and actions for every detail of a salesman's interview with his customers, but it is quite easy to give the novice a sound basis upon which to build up his own technique. A very good way to do this is to stage imaginary sales interviews in a quiet part of the shop, the instructor first playing the part of the salesman as an example, and then letting the novices 'serve' him.

At such "lessons" the novices can be taught to greet the customer pleasantly, to listen attentively to her, without interrupting, to speak easily and naturally, to use adjectives that are descriptive of the particular goods and avoid such objectionable words as "nice," "cheap" and "expensive," to handle the goods so as to suggest appreciation, and show them off to the best advantage, to make definite suggestions instead of asking such questions as "Is there anything else?," to present change carefully and part from the customer courteously. Subjects for
Training

It is usually found that such training helps young salesmen to overcome bashfulness, gives them a certain amount of confidence, and gets them into the habit of being courteous and obliging to customers.

With some ambitious youngsters it may be advisable to emphasize the fact that the customer's confidence must be gained by efficient service before additional sales should be attempted, and that it is necessary for them to master the routine part of their work, i.e. the taking of orders, the preparation, measuring, cutting off, weighing and packing of material and goods, the writing of sales checks and delivery instructions, taking money and giving change, before they begin to practice the finer points of sales persuasion and demonstration.

A newcomer to a department is usually set to study the stock, i.e. the whereabouts of the various lines and their descriptions and prices. This superficial knowledge may suffice for his first few sales, and there is some danger of his being satisfied with it.

Knowledge
of Goods

Before a salesman can be considered proficient, he should know sufficient about his goods to be able to talk interestingly to customers about them, to answer any questions the customers may ask, to make practical and constructive suggestions regarding their use, and to know whether they are suitable for any purpose the customer has in mind.

In most trades, a salesman will have to make a long and well-directed study of the goods before he can reach this standard of proficiency, and this study must be directed, encouraged, and, if necessary, insisted upon by his employers. Very few novices realize the need for technical knowledge, know what to learn or where to turn for information, and a conscientious youngster may waste a great deal of time in acquiring technical knowledge that is not applicable to his particular goods or not of interest to his customers.

The customer's interest in merchandise has regard to its uses and the advantages of possessing it, and the comparative merits and value for money of alternative lines, and it is from the customer's viewpoint that the salesman should make his study. The standard of technical knowledge amongst the salesmen in this country is appallingly low, and the customer very often knows much more than the salesman about the goods. In these days knowledge of both common commodities and proprietary articles is available to all and, generally speaking, the user of merchandise shows more desire to learn than does the seller of merchandise. This may be attributed partly to the apathy of the untrained salesman and partly to the fact that many buyers and managers in the retail trade have only a superficial knowledge of their goods and, never having studied themselves, are unable to direct the studies of their salesmen. It is not uncommon to find an ambitious salesman's thirst for knowledge frowned on by a buyer who does not wish a salesman to know more than he does, and this is an important argument in favour of the employment of a staff instructor.

Customers'
Interests

CHAPTER XIII

SERVICE SYSTEMS

THE main objectives in devising a system to govern the routine service operations of a retail business may be summarized as follows—

Efficiency The system should enable prompt and satisfactory service to be given to all customers

Simplicity The system should be as simple as possible economizing the salesmen's time and so freeing them for sales promotion work

Accuracy The system should be designed to prevent mistakes unauthorized credit and dishonesty on the part of customers salesmen or other employees

Records The system should provide an adequate record of every transaction

In a large shop the system may have to cover all or any of the following types of transaction—

Cash and take	Wait over
Enter and take	<i>Pro forma</i>
Cash and send	On approval
Enter and send	Collection order
Work order	Allowance
Hire purchase	Refund
Cash on delivery	Exchange
Payment by cheque	No charge
Assembly order	Mail order

These types of transaction are dealt with in this chapter in the order named with the exception of mail orders which are the subject of Chapter XV

Cash purchases taken by customers are the simplest transactions and as they are usually associated with quick trade it is essential for the system to be simple making for speedy service to customers

The simplest system is the cash register system in which each salesman has his own register and takes the customer's money and gives change. Cash registers in great variety are now offered to retailers by the various firms manufacturing them. The basic principle of them all is the exhibition of the amount registered for the customer's

Cash
and Take

Cash
Registers

inspection, and the provision of daily totals of amounts registered, enabling the totals to be checked at the end of the day. The larger models furnish a printed list of the amounts registered, give each customer a receipt for the amount of her purchase, and subdivide the sales registered into classes or "departments."

The cash register is not an infallible protection against dishonesty on the part of salesmen, because the average customer takes very little interest in the amount registered, and if she has tendered the correct sum and her goods are ready for her, she is not likely to wait to see how much is registered. It is, however, a strong deterrent to dishonesty, as thefts must be deliberate and are bound to be risky. In a busy establishment a salesman can never be sure that he is not under observation, or that a casual customer is not a detective.

The registers which provide printed receipts for customers offer additional security against theft, as most customers will look to see that a receipt is for the right amount. Some enterprising retailers encourage their customers to obtain these receipts by offering "presents" in return for receipts totalling a certain amount.

Securing the
Customer's
Co-operation.

Retailers who like to follow their takings closely are attracted by the fact that they can go to a cash register at any time and see the total sales registered so far for the day. The recording machines will print sub-totals so that the retailer who wishes to have separate figures for different periods of the day may arrange for sub-totals to be struck at appointed times.

Salesmen can lock their registers while they go to meals, preventing other salesmen from opening the cash drawer or operating the registering mechanism.

The cash register system does not furnish a record of individual goods sold and is therefore unsuitable for cases in which a record of individual sales is required for statistical or stock control purposes.

Where a retailer does not wish his salesmen to handle cash at all, he may adopt the "pay-at-the-desk" system, setting up cash desks at convenient places about the shop. The salesman will then give the customer a "sales check" showing the amount she has to pay, and she will pay at the desk while he is collecting and packing the goods she requires. Two forms of sales check suitable for this purpose are

Pay at
the Desk.

CASH SALES CHECK : QUICK TRADE

This portion to be retained by
CashierThis portion to be given to the
salesman in exchange for the
goods

BA 19371

BA 19371

PAID
16 Mar 31
Cashier 6

£ 3s 7d

PAID
16 Mar 31
Cashier 6

£ 3s 7d

CASH SALES CHECK : DRAPERY TRADE

Memorandum for Customer

Cash Sale
AS 2976

Bought of

SMITH AND SMITH
387 Beach Road Seapool

Salesman. A J Brown

Date 16th March 1931

Quantity	Description	Price		
4 yds	Art Silk No 40 @ 2/11	£	s	d
			11	8
RECEIVED WITH THANKS 16 Mar 31 Cashier 19				
This portion to be given to the salesman in exchange for the goods				
RECEIVED WITH THANKS 16 Mar 31 Cashier 19		AS 2976	£	s
			-	11
				d
				8

illustrated on page 269. The upper one is in common use in grocery and similar shops where the customer does not require a copy of the sales check. The cashier stamps paid on both portions of the sales cheque, retains the left hand portion for her records and hands the right hand portion back to the customer to be given up to the salesman in exchange for the goods. These sales checks are usually made up in counterfoil books printed six or eight to a page.

The lower check on page 269 is commonly used in drapery stores. It is designed to provide a record of the goods sold and furnish the customer with a copy. It is prepared in a triplicate book and the salesman hands the customer the original and duplicate copies for her to take to the cash desk. The cashier stamps a receipt on both portions of the original and on the duplicate, retains the duplicate for her records and hands the original back to the customer who gives the lower portion to the salesman in exchange for the goods.

It is advisable for the cashiers to use a very distinctive stamp to prevent forged receipts and each cashier should have a different identification number on her stamp so that any receipt can be traced to the cashier who gave it. A perforating punch is much safer than a rubber stamp for receipting sales checks.

In many shops every salesman prepares a daily summary (see page 271) from his triplicate copies of the sales checks, distinguishing between cash, C O D and credit sales and this summary is afterwards checked in the counting house with the copies. The cashier enters each sales check on a summary (see page 272) as she takes the money and analyses the amounts under the names or distinctive numbers of the salesmen and of the departments. It is therefore a simple matter for the counting house to check the cash items on the salesmen's summaries with the cashier's summaries.

A dishonest cashier who wished to understate her takings would have to alter the duplicate sales check and get the salesman to alter the triplicate and the lower portion of the original. This is a complicated and risky procedure and there would still be the chance of detection if for any reason the customer brought her copy back.

There is however the danger of dishonest customers obtaining goods without paying for them by pretending to go to the cash

desk, forging receipts, or altering the figures on the sales checks, and it is, therefore, imperative for the salesmen to be trained to take and scrutinize the receipted portions of the sales checks before they hand the goods to the customers. If a salesman parts with goods before he obtains the receipted check, he should be held responsible for the loss

Customers
Who Avoid
Payment

SALESMAN'S DAILY SUMMARY

Name *A J Brown*

Date *16th March 1931*

Department *Art Silks*

Check No	Payment	Amount			Check No	Payment	Amount		
		£	s	d			£	s	d
<i>AS</i>									
1					298 6	Brought forward	£	11	-
2					7	Enter	1	3	10
3					8	Cash		7	10
4					9	C O D		2	11
5					299 0	Cash		12	10
297 6	Cash	11	8		1			7	9
7		1	6		2			4	11
8		1	2	6	3			1	8
9	Inter	9	11		4				
0	Cash	5	11		5				
1	Inter	9	11		6				
2	Cash	11	6		7				
3	C O D	1	4	4	8				
4	Cash	6			9				
5		7	11		0				
	Carried forward	£5	11			Total	£8	12	9
SUMMARY									
		£	s	d			£	s	d
Cash sales		4	11	11	Commission claimed				
Cash on delivery		1	17	2	(at 3d in £)		£	2	2
Inter to account		2	3	8					
Cash with order (po t)									
Total		£ 8	12	9	Checked by				
					<i>P Workman</i>				

NOTE The above forms are printed with the numbers 1 to 0 in the "Check No" columns as a precaution against checks being omitted

In order to show up cases of customers avoiding payment of the sales checks or altering the amounts, it is important for the salesmen's summaries to be made up from the triplicates, and not from

CASHIER'S SUMMARY

Desk No 4 Date *10th March 1931*

Cashier No 19 From *9 a.m. to 12 noon*

Check No	Amount	Salesmen and Departments											
		Brown AS			Jones AS			Smith DM			Robinson DM		
AS 2976	£ s d 11 8	£ s d 11 8	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	
DM 3402	14 11							14 11					
AS 2977	1 4		1 4										
AS 1204	1 8				1 8								
DM 8019	7 10										7 10		
AS 2978	1 2 6	1 2 6											
DM 8020	6 2										6 2		
DM 3403	9 10							9 10					
AS 1205	13 4				13 4								
AS 2980	5 11		5 11										
DM 8021	1 2 11									1 2 11			
DM 3404	14 11							14 11					
AS 2982	11 6		11 6										
	£8 10 10	£2 12 11	£2 1 4	£1 19 8	£1 10 11								

Cash	Float			Final Count			Takings Paid In		
Notes £1	£	s	d	£	s	d	£	s	d
10s	2	10	-	4	10	-	2	-	-
Silver	2		-	2	7	6		7	6
Copper		10	-		13	4		3	4
Total	£5	-	-	£13	10	10	£8	10	10

Checked by— <i>M R Cope</i>	Cashier's signature— <i>G Marshall</i>
--------------------------------	---

the lower portions of the originals, but these lower portions should go to the counting house for examination, enabling the counting house to see that the salesmen are collecting them in the proper manner.

Where goods have to be prepared or packed for the customer, the pay-at-the-desk system gives her something to do while she is waiting, and incidentally saves her time. The system becomes a waste of the customer's time, however, when the goods do not require preparation or packing, and male customers especially may resent having to go over to a cash desk and pay a sales check while the salesman stands idle. The cash register system is therefore, better than the pay-at-the-desk system for shops selling such merchandise as cigarettes, confectionery, books, and periodicals, and, where there is close competition, the cash register shop with its quicker and more simple and personal service may gain a considerable advantage over the pay-at-the-desk shop.

Circumstances
should
Govern
Systems

In some shops the salesman takes the customer's money to a cash desk and brings back the receipted sales check with her change, a system which may be more acceptable to better-class customers, but is a waste of the salesman's time and, therefore, unsuited to a quick trade. It is not nearly such a good safeguard as the pay-at-the-desk system, because, when a customer tenders the correct amount in payment and leaves the shop without waiting for her receipt, a dishonest salesman has an opportunity to understate the amount of the sale or perhaps to omit to record it at all. There is the further objection that the salesman has to leave his counter unattended, giving dishonest customers an opportunity for shoplifting.

Engineers have developed several mechanical devices by which money and sales checks can be carried to and fro between the salesman and the cash desk, thus saving either the customer or the salesman having to leave the counter.

Cash
Tubes

The first device of this kind, the overhead "gravity runway," which carried large hollow wooden balls containing the money and sales checks, gave place to the "cash railway," with which small carriers were shot along overhead wires, and thus in turn gave place to the pneumatic tube system in which the carriers are placed in a tube and drawn by suction to a central cash desk, being returned to the salesman in a companion tube.

which completes the suction circuit between counter and cash desk. The pneumatic tube system is not so suitable for quick trade as the cash register or pay-at-the desk system, but it has great advantages in department stores. The single central cash desk required for the tube system can be tucked away in a corner of the basement, where the cashiers will all be working under the observation of a supervisor. This is much safer than having a large number of small cash desks in the selling departments as there is far less risk of robbery, embezzlement, or collusion between cashiers and salesmen. Furthermore, a much smaller number of cashiers will be required, making for a saving in wages.

The customer may have to wait one or two minutes for her change to come back, but during this time the salesman can be packing her parcel and talking to her about his wares, so that cash tubes are a sales promotion factor where the salesmen have been trained to make good use of the time they spend with the customers.

Tubes a
Sales
Promotion
Factor

The chief objections to the cash tube system are the heavy initial cost of installation, the problem of hiding away the tubes—a simple one in new buildings but a difficult one in old buildings—and the fact that the sales checks must be screwed or folded up tightly to get them into the carriers. The possibility of disorganization through mechanical breakdown has also to be considered, although the apparatus has now reached a stage so near perfection that breakdowns are rare.

Retailers who do not wish their salesmen to handle money will object to the cash tube system, as it gives scope for dishonesty where the customer tenders the correct amount and does not wait for a sales check.

Whatever cash system may be in use, it is essential for the sales checks to be made out before the goods are packed or handed to the customers, and, in order to ensure observance of this rule, many retailers insist upon all sales checks being countersigned by a supervisor who checks the goods with the sales check and checks the prices, extensions, and additions. In some cases the amount tendered by the customer is noted on the sales check and checked by the supervisor.

Countersigning
Sales
Checks

Where supervisors are not employed senior salesmen can be

deputed to countersign one another's checks and those of the juniors

In the above paragraphs mention has been made of the salesman packing the goods he sells but there are circumstances in which it is advantageous for sold goods to be taken to an expert packer to be made into parcels. This applies Packing
Sold Goods to cases in which the goods are difficult or inconvenient to pack or where shavings or other materials likely to make a mess have to be used for example with china and glass. It also applies to cases in which the retailer has reason to fear collusion between customers and salesmen as the packer can if necessary be given the responsibility of checking the sales check with the goods. Some retailers have suffered so much from salesmen passing stolen goods out of the shop in parcels given to accomplices posing as customers that they will not allow any salesman to pack a parcel.

Where packers are employed in the selling departments they can be hidden away in corners of the showrooms which can be partitioned off and fitted for quick packing. An expert packer can pack goods much quicker than the average salesman and make neater and safer parcels a very important point when customers have to carry them. Most enterprising retailers now have their name or house mark printed on their packing paper—a good advertisement when the parcel is neat but a bad one when the parcel is untidy.

Where customers ask for goods to be charged to credit accounts precautions must be taken first to make sure that the customer is entitled to credit in respect of the particular purchase and second to see that the name and address Enter and
Take of the customer and particulars of the goods are correctly recorded as a basis for the charge to her account. In practice the customer is asked to give her name and address which are recorded on the sales check and the salesman then has to obtain the sanction of the clerk in charge of credit granting (The principles of credit granting are dealt with in Chapter XVI). Where cash tubes are in use the sanction may be obtained through them. Carriers of a distinctive colour are provided for sanction purposes the salesman puts the sales check in duplicate into one of these carriers and sends it away to the cash desk where—its colour having been noted—it is side-tracked to the sanction desk a department of the counting house.

If the sanction clerk is agreeable to the credit being granted, he stamps the sales check "credit authorized," "sanctioned" or some similar wording, and returns the original through the tube to the salesman, keeping the duplicate as the basis of the charge to the customer. The sanctioned sales check authorizes the salesman to hand the goods to the customer, or dispose of them in accordance with her instructions.

Where there is no tube connection between the salesman and the counting house the sanction must either be obtained by telephone or by sending a messenger to the counting house with the sales check. The telephone method is quicker and more convenient than the employment of messengers, but it is not nearly as safe, as the counting house does not see the sales check and cannot be certain that the salesman has even prepared it. The salesman may be said to sanction the sales check on the instructions of the counting house, and there is danger of his sanctioning sales checks without obtaining instructions, or disregarding instructions *not* to grant credit.

Some protection against this is provided by a special sanction telephone system with which the salesman places the sales check in a slot forming part of the telephone stand and reads the name and address of the customer and the value of the goods to the sanction clerk. If the sanction clerk approves of credit being given, he presses a button which transmits an electric impulse to mechanism in the salesman's telephone stand and perforates the sales check with the sanction stamp. The salesman puts the duplicates of the sales checks in a drawer under the telephone and these are collected and taken to the counting house at frequent intervals.

This system by itself, does not afford complete protection because the sanction clerk cannot be sure that he is not sanctioning a transaction quite different from that described to him over the telephone by the salesman. A salesman might state a smaller amount than that on the sales check, or give the name and address of a more satisfactory customer, in order not to lose a sale and, at busy times, there is a temptation for salesmen to put several sales checks into the telephone slot and get them all sanctioned by reading the top one. It is therefore advisable with this and all other telephone sanction systems, for the sanction clerk to make notes of the particulars

Sanction by
Telephone

Tricks to
Obtain
Sanction.

given to him by the salesmen and to compare them afterwards with the duplicate sales checks collected from the salesmen's telephone drawers

Precautions will have to be taken against account customers being impersonated by thieves. In small shops account customers wishing to take goods away with them may have to be identified by someone who knows them by sight, and in large stores they may be identified by their signature. The account customers' signatures are "registered" in a card index kept by the sanction clerks following the method adopted by banks, and where the sales checks are sent to the sanction clerk by tube or messenger the customer is asked to sign them beforehand.

With a telephone sanction system the salesman may be asked to obtain the customer's signature and describe it to the sanction clerk—not a very satisfactory procedure—or the customers may be given identity cards bearing their specimen signature and asked to produce these when making purchases, *after* they have signed the sales check. The salesman will then compare the signatures.

An alternative precaution of moderate value is to give each account customer a distinctive number or code word, which she quotes in asking for items to be charged to her account.

Better-class customers prefer this number method of identification to the signature method, because it enables them to send their servants or friends for goods, but the practice of sending other people for goods on credit and entrusting them with information which might be used for purposes of fraud, has obvious dangers, and retailers should not encourage it.

If a customer wishes to send a messenger regularly for goods, she should be asked to register the messenger's signature and authorize its acceptance in lieu of her own, or, in the case of a casual messenger, to send a signed note asking for the goods to be delivered to the messenger. In the absence of such an arrangement, it is advisable to telephone to the customer for confirmation of the order or, if this is impossible or inadvisable, to make an excuse to the messenger and send the goods to the customer by some other means.

Where account customers are frequent visitors to a shop, there

is a tendency for salesmen to hand them the goods they require and make out the sales checks afterwards. This practice must be prohibited, and the prohibition strictly enforced, as there is more than a possibility of credit sales being forgotten and the value lost to the house. If sales checks are made out after the customer has gone, there is also danger of the fact that she has taken the goods being forgotten, and a duplicate supply being sent to her. This is a strong argument in favour of making it a rule for account customers to sign for goods taken as the salesman is then compelled to make out the sales check while the customer is in the shop. It should also be made a rule for the salesman to write 'taken' in large letters on the sales check before the customer signs it. This will be a receipt for the goods, and be a precaution against a duplicate supply being sent.

A suitable sales check for credit sales is illustrated on page 280. It is prepared in triplicate: the original for the customer, the duplicate for the counting house, and the triplicate to remain in the salesman's book. In order to avoid using two books, cash sales may also be recorded on this form. The absence of account particulars will distinguish the cash sales, and the duplicate checks in respect of them will be retained by the cashier.

When customers ask for goods to be sent to their own or some other address, the salesman has the responsibility of recording their instructions correctly and passing these instructions to the dispatch department with the goods at the proper time. It is vitally important for a salesman to be fully conversant with the dispatch arrangements and times and methods of delivery for all the districts to which goods may have to be sent, as this will enable him to give the customers a correct impression of the delivery service offered and tell them when they may expect to receive their goods. This means that the dispatch department must systematize its deliveries and work to a time-table, matters of organization that are dealt with in Chapter XIV. The salesmen can then be provided with delivery schedules showing the times of delivery in the various districts covered, and the circumstances in which special deliveries can be made.

For simple cases of single parcels to be sent to customers' homes,

space can be provided on the sales check for the salesman to insert the name and the address to which the goods are to be dispatched. For credit trade it is advisable for the sales check to have separate headings **Charge to** and **Send to** as customers may require the invoice to be sent to one address and the goods to be sent to another or to some other person. Any special instructions regarding the time or method of delivery should be noted immediately under the address to which the goods are to be sent.

Sales Checks
for Send
Parcels

It may be noticed that the form of sales check on page 280 provides for the recording of the approximate time of the sale. In the illustration the tick between 11 and 12 means that the sale took place between 11 and 12 o'clock. This time-recording is an important matter in connection with goods to be sent home as it draws attention to avoidable delays in getting goods ready for delivery and passing them to the dispatch department.

In many shops the address labels are written by the salesmen and the goods are packed in the selling department so that when the parcels reach the dispatch department they are ready for delivery. This arrangement has the great advantage of simplicity and it protects the goods from damage or soiling on the way to the dispatch department, a common source of loss when unpacked goods are sent down chutes or carried by porters. There is, however, the important objection that salesmen or packers may make up parcels of stolen goods and consign them to confederates. As a precaution against this the customer's receipted or sanctioned copy of the sales check may be sent to her in a separate envelope with the goods instead of being handed to her at the time of sale. It will then be sent down to the dispatch department with the parcel and can be scrutinized by the forwarding clerks before they send off the parcel. If they have reason to be suspicious they can open a parcel and check the goods with the sales check.

Packing
Parcels for
Dispatch

In some shops the address label is sent to the cashier or sanction clerk with the sales check and the receipt or credit authorization is stamped on the address label as well as on the sales check. The sales check can then be enclosed in the parcel or handed to the customer. This plan is very suitable for shops which specialize in selling presents which

Sanctioning
Address
Labels

are sent to persons other than the customer when the customer does not wish the sales check to be enclosed with the goods. It does not however meet the possible danger of salesmen sending customers more goods than they have purchased either by accident or by conspiracy.

In other shops even the forwarding clerks are not held above suspicion and then it is necessary for the dispatch department

SALES CHECK ACCOUNT CUSTOMER

BROWN & BROWN Regent Street W 1										DM 1284		
Charge to		<i>Mrs A M Humphries</i> <i>82 Windy Lane Wimbledon</i>										
Account No		<i>H 327</i>										
Send to		<i>Taken</i> <i>A M Humphries</i>										

Salesman	Examined	Time of Sale					Date
		9	10	11	12	1	
		2	3	4	5	6	
<i>S Green</i>	<i>B Cox</i>						<i>26/3/31</i>

Quant ty	Description	Price			Amount		
2½ yds	Wool Crêpe No 146	£	s	d	£	s	d
		7	11		19	9½	
<div style="position: absolute; bottom: 10px; left: 10px; border: 2px solid black; padding: 5px; transform: rotate(-5deg); font-weight: bold;"> CREDIT AUTHORIZED 26 Mar 31 CTG HO, P1 </div>					£	19	9½

DELIVERY INSTRUCTIONS

R 16016

Date 18th March 1931

Send to George Davis Esq

306 Eastern Avenue Sompting Sussex

Nearest Railway Station Lancing S R

Delivery Promised for Wednesday 25th March 1931

Special Instructions Send by rail pack each item separately

Salesman	Examined	Time of Sale					Cash H P C O D or Acct
		9	10	11	12	1	
C Ross	J Ames	2	3	4	5	6	Acct

Dept	Sales Check	Quantity	Description	Location of Goods
CF	9771	1	Dining room Table 380	Polisher's shop
UF	923	2	Easy Chairs 157	Stock room 15
.		1	Settee 153	
CP	1219	1	Axminster Carpet 632	Carpet showrooms Way 4
LS	4310	1	Standard Lampshade 804	Specimen room 7

CREDIT AUTHORIZED
18 Mar 31
CTG HO, PJ

R 16016	R 16016	R 16016	R 16016	R 16016	R 16016
Davis	Davis	Davis	Davis	Davis	Davis
Ross	Ross	Ross	Ross	Ross	Ross

to produce some form of voucher for every parcel they consign. This means that a "dispatch note," either a special form or an additional copy of the sales check, must be prepared by the salesman and sent to the dispatch department with the goods. These dispatch notes bear the cashier's receipt or the sanction clerk's authorization and, after the dispatch of the goods, are either filed with the dispatch sheets or sent with them to the counting house for inspection.

In order to provide copies for the customer, counting house, dispatch department, and salesmen, a sales check would have to be prepared in quadruplicate, which occasions an objectionable amount of fiddling with carbon sheets for the salesman, and may make the third or fourth copies somewhat illegible. Furthermore, the dispatch copies would be wasted in the case of parcels taken by customers. It is therefore, preferable for special "Delivery Instructions" forms to be used for this purpose especially in the case of export or other orders for which detailed packing and consignment instructions may have to be given, or orders for furniture and other heavy goods which may have to be fetched by the dispatch porters from the showrooms or stockrooms.

A Delivery Instructions form for use in the furniture trade is illustrated on page 281. This form gives the location of the various pieces sold and the number of the sales checks covering the items. It will be understood that a general or "rover" salesman may sell goods from a number of different departments and have to make out or obtain a separate sales check for each department, but the goods must go in one consignment and therefore be listed on one Delivery Instructions form.

It may be noted that the Delivery Instructions form has six detachable adhesive tickets at its foot, each one bearing the number of the Delivery Instructions form, the customer's name and the salesman's name. The salesman detaches these tickets and fixes one to each of the pieces sold, thus reserving them for his customer, and enabling the dispatch porters to identify them in collecting the goods. This precaution is very necessary in selling articles of distinctive character which are selected by customers, and is a safeguard against sold goods which cannot be duplicated being resold to another customer before

Special
Delivery
Instructions

Reserving
Sold Goods

they can be removed from the showrooms. In any trade, the reservation of sold goods is a first duty of the salesman and unless some system of reservation is devised and strictly enforced delivery delays and complaints from customers are bound to result.

Where special delivery instruction forms are not in use, the salesmen may be provided with 'sold' labels similar to that illustrated below, to be affixed to the goods immediately the customer has selected them.

O	
SOLD	
Date	<i>27th March 1931</i>
Customer	<i>J Williams Esq</i>
Salesman	<i>Matthews</i>
Sales Check No	<i>CF 3208</i>
Special Instructions	<i>Clean and polish</i>

This label provides a space for special instructions in regard to preparing the goods for dispatch. For such simple work as cleaning and polishing this method of giving the instructions may be all that is necessary, but for more important work, such as alterations or adjustments, or incidental service, such as planning carpets, laying linoleum and installing wireless sets or household appliances it will be advisable for the salesman, in addition to make out a 'Work Order' and pass it to the department undertaking the work. Special forms, similar to that illustrated on page 284, may be provided for this purpose.

Work
Orders

Salesmen should have precise instructions as to the extent to which alterations to goods may be made or incidental service given without charge, and, where work must be charged for, the charge should, if possible, be agreed with the customer at the time of sale and noted on the work order, because "extras" are a common source of controversy with customers. When such charges are paid in cash at the time of sale, the cashier's receipt stamp on the work

CFK 7326

**WORK
ORDER****BROWN & BROWN**

Regent Street W 1

Charge to *George Davis Esq*
306 Eastern Avenue
Sompting Sussex

Acct No *n 217*

Salesman	Examined	Time of Sale					Date <i>18/3/31</i>
		9	10	11	12	1	
		2	3	4	5	6	

To *Polishing* Department

Instructions

*Darken polish of Dining-room Table Model 380 to
 match specimen colour attached*

Location of goods

Specimen room No 7

Date for completion

*Delivery promised for Wednesday
 23/3/31*

Charge

<i>£</i>	<i>s</i>	<i>d</i>
	6	-

	6	-
--	---	---

CREDIT AUTHORIZED
18 Mar 31
CTG HO. P J

order will be sufficient authority for the work to be done. In the case of credit sales, the work order should be sanctioned by the counting house before work is commenced.

"No charge" work orders may be authorized by the buyer of the department responsible for the goods, but in many shops it is the rule for all "no charge" orders to be passed to the counting house for scrutiny and sanction. The counting house sanction then operates as a protection against unwarranted sacrifices of profit, as well as against bad debts. In these circumstances the work order must be prepared in triplicate: the original for the department undertaking the work, the duplicate for the counting house, and the triplicate to remain in the salesman's book.

With an important general order, where there may be a number of sales checks and work orders from various departments, it is usual for the counting house to collect them together and send the customer one typed invoice in substitution for them.

In the case of hire purchase transactions, neither sales checks nor invoices should be given to the customers. Hire purchase transactions are not "sales" and must not be treated as such, because the trader relies for his security upon his retention of the proprietary rights in the goods supplied. This position is established in the hire purchase agreement, and a detailed specification of the goods should be given in a schedule to the agreement. The hire-purchase agreement, therefore, takes the place of an invoice, and a copy of the agreement and its schedule of goods should be given to the customer. From an accountant's viewpoint, goods sent to customers on hire-purchase are merely transferred from the departmental stocks to "stock out on hire-purchase," and this position continues until such time as the customer completes his payments under the agreement and becomes the owner of the goods, or the goods are recovered by the trader and taken back into the departmental stocks.

Hire-
purchase

Hire-purchase trading is a distinctive and complicated business which necessitates special procedure throughout the transactions. This special procedure is fully described in a companion volume,¹ where forms for use in connection with hire purchase transactions are illustrated.

¹ *Hire-purchase Trading* by Cunliffe L. Bolling. Second Edition 1930, published by Sir Isaac Pitman and Sons, Ltd.

A very large volume of retail business is now transacted on cash on delivery terms and, in drapery and furnishing stores especially, the service system should provide for this 'C O D' is attractive to the customer because she does not have to carry large sums of money with her when she is shopping, and she has the satisfaction of seeing the goods delivered to her house before she is called upon to pay for them. It is attractive to the retailer because it gives him prompt payment and saves him the trouble and expense of opening credit accounts for casual and unimportant customers. It may be described as a factor in sales promotion, in view of the fact that where cash-on delivery terms are offered to customers the cash sales are not limited to the amount of money customers have with them.

The cash is collected by the van porters in the case of road deliveries and by the Post Office in the case of postal or rail consignments. It follows that the collection is a responsibility of the dispatch department, which has to give the necessary instructions to its porters or to the Post Office or railway.

The forms of sales check used for account customers' purchases may also be used for cash on-delivery transactions if the salesmen mark the checks "C O D" instead of 'Account'. This marking places the onus of obtaining settlement on the dispatch department.

Cash collections are a heavy responsibility for the dispatch department, and in many shops it is considered necessary for the collections to be supervised closely and, in particular, for a record to be kept in the counting house of the sums which the dispatch department has been asked to collect.

In order to accomplish this, all C O D sales checks are sent to the counting house, in the same manner as 'entry' sales checks. The C O D checks are passed to a clerk who enters brief particulars of them in a 'Cash on Delivery Register' (see page 287), and stamps them "C O D", which is a formal instruction to the dispatch department. The customers' copies of the sales checks (and Delivery Instructions if used) are then returned to the salesman, to go with the goods to the dispatch department, and the counting house copy is retained in the counting house for sales record purposes.

All C O D collections paid in to the cashier's office by the van porters, or received from the Post Office, are reported to the clerk

CASH-ON-DELIVERY REGISTER

C O D S A L E S							C O L L E C T I O N S		
Date	Sales Check No	Dept	Salesman	Customer	Amount		Date	Collector	Cash Recd Book Folio
1931 Mar 16	8014	CF	Hall	Burton Clapham	£ 3	5 15	1931 Mar 17	Briggs	69
	7129	LS	Clark	Harding Plumstead	1	3 0	18	Nash	71
	3426	UF	West	Compton Hendon	4	4 -	17	Earl	69
	4114	CH	Scott	Henderson Portsmouth	15	11	20	P O	74
	6623	LS	Dodd	Williams Camden Town	8	11	17	Earl	69
	9041	SK	Bond	Thompson Brixton	9	10	17	Briggs	69
	2680	CF	Cole	Berry Hounslow	2	15 -	18	Grant	71
	4090	CP	Hardy	Groves Chelsea	1	17 6	17	Marsh	69
	5082	GR	Small	Holland Wimbledon	2	12 6	17	Marsh	69
	6244	CH	Cox	Potts Streatham		8 11	17	Briggs	69
	9377	IR	Ames	Riley Golders Green	15	4	17	Earl	69

keeping the Cash-on Delivery Register, and he marks off the collections against the sales. The dispatch department must account sooner or later for every C O D collection entrusted to it.

In shops serving better-class customers, embarrassing situations often arise through casual customers tendering cheques instead of cash, and it is important for a definite policy to be

**Payments
by Cheque.**

adopted in regard to the acceptance of cheques.

Strictly speaking, payment by cheque should be a privilege reserved for account customers, because the acceptance of a cheque in lieu of cash is tantamount to giving the customer credit. Customers may consider that their cheques are as good as cash, but, in dealing with strangers, the retailer has to bear in mind that a cheque may have no bank balance behind it, may be forged or irregularly signed, or payment may subsequently be "stopped" at the bank by the drawer.

It is a safe plan to make a rule that cheques cannot be accepted in payment for parcels to be taken away by customers, except in the case of customers well known at the shop. Sales checks for these privileged customers should be referred to the counting house in the same way as those for account customers and the sanction clerks should stamp the sales checks "Take cheque" as an authorization for the cashiers to accept cheques in lieu of cash. The cashiers should write or stamp the words "by cheque" on the receipts.

If a customer tendering a cheque in payment is a stranger, it is safest to arrange to send the goods to her 'after clearance'

**Waiting for
Clearance.**

of the cheque by the bank, but this usually means

several days delay. In most shops the sanction clerks

are authorized to use their discretion in regard to customers tendering cheques. If reference to a directory shows them that the customer is the householder at the address to which the goods are to be sent, and the address is a 'good' one, they will probably authorize the dispatch department to send the goods immediately. In practice they may stamp the sales check 'Take cheque Send' as a reminder to the salesman that the goods are not to be handed over the counter. In better-class trade there is a strong probability that customers paying 'cash on delivery' will tender cheques in payment, and the van porters must have previous instructions as to whether they may accept cheques. The sanction

clerks may give these instructions, in stamping the C O D sales checks by adding the letters "T C" to "C O D" in cases where the porter may be authorized to take cheques

The counting house instructions are copied on to the porter's delivery sheets so that if he has "C O D, T C" on his sheet he will take a cheque, but if he has only "C O D" he will only leave the goods in exchange for cash

In department stores it may be considered necessary to devise a system by means of which customers making purchases in a number of departments may have them collected together and made into one parcel paying in one amount at the end of their shopping and either taking the parcel with them or giving instructions for delivery For this purpose an Assembly Bureau is opened on the ground floor, and, as the customer makes her purchases the goods and sales checks are sent down to this bureau In order to facilitate the identification and assembly of the orders it is advisable to provide Assembly Cards, similar to that illustrated on page 289 These cards are made out and given to the customer by the first salesman who serves her and each salesman who subsequently serves her enters particulars of his sale on the card The assembly card has a number of adhesive tickets attached to it each one bearing the number of the card and also a number which represents the consecutive number of the entry on the card Each of the salesmen detaches the ticket corresponding to the number of his entry and sticks this ticket on his sales check, which he sends down to the assembly bureau with the goods

When the customer has finished her shopping, she presents the card at the assembly bureau where the goods are looked out, the parcel is packed, the assembly card is checked with the sales checks, the customer pays the total or, in the case of an account customer sanction is obtained, and the parcel is either handed to the customer, or a Delivery Instructions form is made out She may, of course, wish to pay cash on delivery

In some shops, the salesman first serving the customer asks her for delivery instructions and how she intends to pay for the goods, and records this information on the assembly card but this is hardly necessary and often causes complications, owing to the

Assembly
Orders

"Pay at
End."

customer changing her mind. She may have originally intended to buy only a few small articles and pay cash for them but, in going round the stores may decide to make other purchases and have the goods delivered, paying cash on delivery. It is, therefore, simpler to leave the arrangements regarding payment and delivery to the assembly bureau and this gives the customer greater freedom of action.

The assembly bureau may also be made a 'cloak room' for customers, where they can leave their umbrellas and parcels while they are shopping. In this event, the customer will go to the assembly bureau first and leave her belongings, and the assembly card will be given to her there, the first entry being a brief description of the articles deposited, and the first ticket being attached to them.

Cloak room
Facilities

Goods should not be entered on an assembly card unless they are ready for dispatch, even if the customer wishes them to be sent, otherwise goods which the customer is urgently needing may be held up for other goods which she does not yet require, and goods waiting for others may cause congestion and confusion in the assembly bureau. An exception to this rule may be made in cases where the customer prefers to wait until all the goods are ready.

It is, of course, a great advantage to the dispatch department to have goods for the same customer assembled and packed in one parcel, and it may save a carman making more than one journey to the address.

In some trades it is a common occurrence for customers to ask for goods they have purchased to be kept for them pending delivery instructions. Furrushers often have to hold a houseful of furniture for several months until a customer's new house is ready for occupation.

"Wait
Overs"

Goods waiting delivery instructions should be carefully labelled (the "sold" label illustrated on page 283 will serve the purpose) and sent to a 'Wait Over Room' until the customer's instructions for delivery are received. If, as is usually the case, the goods cannot be invoiced until they are delivered, the customer's and counting house copies of the sales checks should be held in a special 'wait over' file in the counting house until such time as the delivery instructions are received. It is unwise to leave the sales checks with the salesmen, as they may be mislaid or the transaction lost.

sight of The salesman has a copy of the sales check in his book for reference

At frequent intervals a list of his "wait overs" should be sent to each salesman, to remind him of the transactions, as it might be advisable for him to get into touch with the customers "Wait over" goods which have been invoiced to customers should be sent to a separate depository and made the subject of a special memorandum in the counting house

Some customers contemplating important purchases may ask for tentative invoices showing what the goods or service they have in mind would cost them, or the comparative cost of alternative propositions In such cases the sales-
Pro
Formas man should submit detailed descriptions and prices to the counting house, and a typed "*pro forma*" invoice should be sent to the customer, or to the salesman for personal submission. The salesman should be given a copy for reference These *pro forma* invoices are merely memorandums and must not be treated as sales, or charged to the customers, but copies should be filed in the counting house, so that, if the sales do not materialize within a reasonable space of time, reminders can be sent to the salesmen for following up, or sales promotion letters written to the customers

When the customer's order is received, the salesman should make out his sales checks in the usual manner and mark them "*ex pro forma*," so that the counting house may remove its copy of the *pro forma* invoice from the file

A special "appro" check should be provided for cases in which goods are sent to customers on approval, as these transactions must not be recorded as sales A suitable form is illustrated

On Approval on page 293 The privilege of having goods on approval is usually reserved for account customers, as sending goods 'on appro' is equivalent to giving the customer credit All appro checks should, therefore be sent to the counting house for sanction The counting house copies will be kept in a "goods out on appro file and brief particulars of them may be entered in an 'Appro Register' similar to that illustrated on page 294

The salesman will usually be entrusted with the task of following up the appro and obtaining the customer's decision, but counting-house supervision is essential, as there is some danger of goods sent

CFA 947

APPRO.

BROWN & BROWN

Regent Street W 1

Send to

Mrs A Collins

372 Grove Walk Ealing

ON APPROVAL

Account No C 429

Salesman S Gordon	Examined B James	Time of Order					Date 20/3/31
		9	10	11	12	1	
		2	3	4	5	6	
Quantity	Description	Price			Amount		
1	Screen No 82 shot case ment cloth green	£	s	d	£	s	d
		2	5	-	2	5	-
<div style="border: 1px solid black; padding: 5px; transform: rotate(-15deg); display: inline-block;"> APPRO AUTHORIZED 20 Mar 31 CTG HO, LG </div>							
					£2	5	-

PLEASE NOTE Goods sent on approval are considered to be approved of by the customer and are invoiced unless we hear to the contrary within SEVEN DAYS

APPRO. REGISTER

GOODS SENT OUT ON APPROVAL						SALES		RETURNS	
Date	Appro Check No	Dept	Salesman	Customer	Amount	Date	Sales Check No	Date	Returns Note No
1920 Mar 20	217	LI	Gordon	Collins Easing	£ 2 5			Mar 25	281
	308	HF	Webber	Harris Golders Green	2 5	Mar 24	8628		
	331	IR	James	Lake Hounslow	16 6	25	1029		
	201	UF	West	Morton Regents Park	10 10			26	299
	642	LS	Dodd	Ellis Chelsea	1 8			Apr 4	342
	428	CF	Cole	Cox Wimbledon	7 10	26	8209		
	762	SF	Brill	Arnold Richmond	19 6	24	0827		
	202	LF	West	Maxwell Dulwich	5 18 6	30	3564		
	643	LS	Dodd	Hodgson Hendon	10 11	27	6808		
	429	CF	Cole	Campbell Barnes	15 15			Mar 27	306
	644	LS	Dodd	Poolley Finchley	1 3	27	6811		

out on appro being forgotten or left so long in the customer's hands as to become unsaleable on return

It may be noticed that the Appro Note illustrated on page 293 has a footnote which limits the period of approval and thus presses the customer to give an early decision. This limitation is advisable because without it *some customers will purposely delay giving a decision in order to have the free use of the goods*

If the customer decides to keep the goods the salesman will make out a sales check and mark it Kept from appro thus enabling the counting house to mark the goods off the appro register and remove the appro check from the file

Clearing
Appros

If the customer decides not to purchase the goods the salesman will issue a collection order or call note instructing the dispatch department to fetch them and on being notified by the dispatch department that the goods have been recovered the counting house will mark the goods off the appro register and remove the appro check from the file

Many salesmen are loth to issue collection instructions in respect of appro goods hoping that if the goods are left with the customer she may decide to keep them and they may refrain from asking her for a decision if they think she is likely to decide against the goods. This procrastination may result in depreciation of the goods or controversy with the customer and it is therefore imperative for the counting house to watch the appro register continually and send each salesman a weekly list of his appros outstanding making it a rule that all appro goods will be invoiced after the lapse of a reasonable time unless the salesman can give a sound reason for this not being done

In order to avoid confusion it may be advisable for the words on approval to be used in connection with appros sent to customers and on approbation in connection with goods taken on appro from suppliers

Apart from goods brought back from appro Collection Orders or Call Notes will be required for customers goods brought in for inspection or repair articles taken from customers in exchange or part exchange for articles supplied goods recovered from hire-purchase customers and any other returns from customers. A suitable form for this purpose is illustrated on page 296

Collection
Orders

CFL 82

COLLECTION ORDER

From *Cabinet Furniture* Department

Salesman	Examined	Time of Issue					Date
		9	10	11	12	1	
<i>S Gordon</i>	<i>E James</i>	2	3	4	5	6	<i>25/3/31</i>

To Dispatch Department

Please collect from

*Mrs A Collins**372 Grove Walk**Ealing*

the following goods

1 Screen No 82 shot casement cloth, green

COLLECTION
AUTHORIZED
25 Mar 31
CTG HQ. L G

Goods to be taken to

Specimen Room No 21 Second Floor

Reason for collection

Return from appro

CFL 82

Received on behalf of Brown & Brown the following goods

*1 Screen No 82 shot casement cloth, green*for *return from appro*

Date

Dispatch Department

It may be necessary to prohibit van porters from accepting goods from customers for return unless they have a collection order for them. This is a precaution against mistakes or dishonesty on the part of the porters and it prevents customers from returning unwanted goods for credit to their account without first obtaining the retailer's permission.

In view of the fact that collecting goods often involves crediting a customer's account it may be considered advisable for all collection orders to be countersigned by the managers of the departments requiring the goods and scrutinized and sanctioned by the counting house. In this case they will be prepared in triplicate: the original and duplicate to be sent to the counting house and the triplicate to remain in the salesman's book. If the collection order is approved the counting house may pass the original direct to the dispatch department in order to save time.

The collection order illustrated has a receipt form which the porter can give to the customer in exchange for the goods. It also states the reason for collecting the goods and where they are to be taken when they are brought back. Clearing
Collected
Goods two very important points which will ensure the goods receiving prompt and intelligent attention when they arrive. In the absence of this information there would be danger of congestion in the dispatch department and of collected goods being delayed or mislaid.

Brief particulars of all goods collected by the dispatch department should be entered in a Goods Collected Book—a suitable ruling for which is illustrated on page 298. Where the counting house supervises the collections a duplicate book can be used for this purpose and a copy of each day's entries sent to the counting house for inspection. It is advisable to describe goods brought back by the dispatch department as collections instead of returns in order to distinguish them from returns to suppliers.

Goods sent in by customers by post, rail or carrier should be referred to the collections clerk in the dispatch department and wherever possible this clerk should be notified in advance of their coming so that he can identify the goods and pass them to the proper department. Goods Sent
in by
Customers Where the counting house supervises the collections a salesman arranging for goods to be sent in by a customer would

GOODS COLLECTED BOOK (DISPATCH DEPARTMENT)

Goods Collected on Wednesday 25th March 1931						
Customer	Brief Description	Collection Order No	Collected by	Inspected by	Goods Passed to	Remarks
Cooper Dover	Persian rug	CP 98	S R	L Groves	Mr Fisher	Cleaning
Bailey Horsham	Travelling clock	CK 232	P O	P Baxter	Mr Daves	Repairs
Knight Cromer	6 pendant shades	LS 223	L N E R	L Groves	Miss Finch	From appro
Samuels Highgate	Hair mattress	BD 109	Earl	P Baxter	Miss Murray	Recovering
Machan Colders Green	China mirror	CF 83	Earl	P Baxter	Mr Brett	Repairs
Robinson Finchley	Baby grand piano	PO 64	Earl	P Baxter	Mr Lawson	Exchange
Watson Richmond	Brass fire screen	JR 43	Marsh	L Groves	Mr Crane	Exchange
Akins Leyton	Mahogany clock	CK 283	Hyde	P Baxter	Mr Daves	Repairs
Lovell Chingford	Electric bowl fire	EL 124	Hyde	P Baxter	Mr Court	Repairs
Handley Sydenham	Standard lampshade	LS 227	Briggs	P Baxter	Miss Finch	From appro
Collins Ealing	Caseament cloth screen	CF 82	Grant	L Groves	Mr Brett	From appro

have to make out a collection order, altering the wording from "Please collect from . . ." to "Please receive from . . ." and—as a precaution against this alteration being overlooked—writing "Receive" in large letters across the form. These collection orders would be countersigned and sanctioned in the usual manner. The same procedure could be adopted in a case where goods arrived unexpectedly from a customer, and a department was willing to take them over, but in some shops goods arriving from customers unexpectedly and without explanation would not be accepted.

The top portion of a collection order may be used by the dispatch department as an advice note covering the goods, and be sent with them to the department for which they are intended. Persons taking delivery of collected goods from the dispatch department may be asked to sign the Goods Collected Book as an acknowledgment.

The system must provide for allowances being made to customers in respect of goods returned, adjustments of price, or claims, which allowances may be settled by a cash refund, a remittance sent to the customer, or a credit to the customer's account. It is, of course, important for such allowances to be duly authorized and properly recorded.

In many shops the manager of each selling department is provided with a triplicate book of credit notes similar to that illustrated on page 299. The salesmen apply to their manager in all cases of customers requiring allowances and, if agreed, the credit note is prepared and signed by the salesman and countersigned by the manager. The original and duplicate copies are then sent to the counting house for sanction.

For a cash refund, the sanction clerk stamps the credit note "Allowance authorized Refund" and returns the original copy to the salesman. Any cashier will pay the money to the customer in exchange for this. The customer should be asked to sign a receipt, which can conveniently be written on the original copy of the credit note. When a remittance must be sent to the customer, the sanction clerk stamps the credit note "Allowance authorized Remut," and uses the original copy as a requisition for the necessary cheque. It ultimately becomes a cash book voucher.

In the case of account customers, the credit note is stamped "Allowance authorized Credit account," and the original copy is posted to the customer.

In all cases, the duplicate copies are retained in the counting house, and are the basis of the necessary book-keeping entries. This side of the counting house work is dealt with in Chapter XIX.

When goods are exchanged for customers the exchange should be recorded fully. The safest method is for a credit note to be made out for the article the customer returns, and a sales check for the article she takes in exchange. Exchanges. In many shops one check is made to serve the two purposes, e.g. if the customer selects a higher priced article and has to pay the difference, a sales check is made out, but if she selects a lower priced article and claims a refund, a credit note is made out. This method has the advantage of recording the exchange more obviously, but it often leads to errors in the stock records, where these are posted from copies of the sales checks and credit notes and, with this in mind, the checks must be made out very clearly and the word "exchange" in large letters should be written across the top of them. Credit notes used in connection with exchanges must, of course, be referred to the counting house for sanction.

Where the exchange is in goods of equal value, but a record must be made for the purposes of stock record adjustments, a sales check should be made out, with the words "no charge" in the money column.

"No charge" sales checks may also be used to cover customers' own goods being returned to them, replacements made as the result of complaints, and goods given to a customer without charge, for any reason. In making out such checks, "No Charge" Items. a salesman must remember that they may have to be used for the adjustment of stock records and he must make the position clear to the stock clerk. Some "no charge" transactions will not affect the stock records, but others will necessitate goods being written off.

All "no charge" checks must be sent to the counting house for scrutiny and the sanction "no charge," and the sanction clerks should be instructed to pay special attention to them, as "no charge" checks are often used to disguise irregularities or dishonesty in the disposal of goods. It is advisable for them to be countersigned by the departmental managers.

In large stores, it is customary to "codify" the service system, and publish "guides to system" for the use of new employees. This

is very necessary when the transactions are varied and complicated, and a large number of different forms are used. Such guides should contain illustrations of the forms, explanations of the commercial phrases used, and a key to the symbols used for departments.

Guides to
System

It may be noticed that in the illustrations in this chapter, the departments have been indicated by letters suggestive of their names and the salesmen have been referred to by name. In some stores, both departments and salesmen are numbered, but this practice has disadvantages, particularly that the numbers are meaningless to customers and confusing to new employees, and that, in writing hurriedly or speaking on the telephone, mistakes are more likely to be made with numbers than with names.

If salesmen are referred to by name, however, it may be necessary to "rename" those whose names are difficult to pronounce, or which are duplicated in the organization.

CHAPTER XIV

DISPATCH AND DELIVERY

NEARLY all retailers have to deliver goods to certain customers either regularly or occasionally

In the heavy trades, the customers cannot carry the goods with them, in high class businesses they will not do so and even in working-class trade in light goods, a salesman would be greatly handicapped in sales promotion work if his sales were limited to the amount which his customers could carry

It should clearly be understood, however that there is a great difference between delivery as a matter of necessity and delivery as a matter of policy The retailer who is willing to send goods for customers when necessary and judges each case on its merits as regards method of delivery and the question of asking the customer to pay the cost of delivery, is in a very different position from the retailer who makes "free delivery" a feature of his advertising and organizes his own transport force of vehicles and men

Free Delivery
as a
Policy

Delivery as a matter of policy is not a task to be undertaken lightly by the retailer Careful consideration must be given to its suitability for the particular business, and its consistency with the general trading or service policy

There are four main points to be considered (1) service (2) cost (3) advertising, and (4) safety

In regard to service, the question is whether the delivery service which the retailer could give would be more convenient to the customers than taking parcels with them If the goods dealt in are heavy, bulky or somewhat difficult or objectionable to carry, delivery may be a service to the customer, even if it means that she has to wait a few hours or, possibly, a day or two for the goods but if the goods are easily carried and are required for immediate use or consumption the delivery service which the retailer could give might not be satisfactory to the customers and would therefore be a source of annoyance to them The average customer would rather take such goods

Service to
Customers

with her than have to wait for them to be delivered, and she will, therefore be annoyed if she is put to inconvenience as a result of accepting the salesman's offer to send the goods

There is the further point that the delivery service which the retailer could organize might not give such speedy or reliable service to customers as the employment of outside agencies, i.e. the post, railways, or common carriers. A retailer who has his own vehicles has, for economical reasons to use them to the fullest possible extent, and does not like to employ outside delivery agencies, but this often results in less satisfactory service to the customers

In regard to costs, the retailer has to bear in mind that a customer never expects to be charged for deliveries made by a retailer's own vehicles, however great the distance they may have to travel. The expenses of delivery must, however, be borne indirectly by the customers, and if a large proportion of the deliveries are really unnecessary, or his delivery organization does not work economically, the addition made to the cost of the goods to the customer may be unjustifiable and cause the retailer's prices to compare unfavourably with those of his competitors

Dispatch
Costs

It is certain that, unless the retailer has a large volume of deliveries, or his deliveries are confined to the immediate neighbourhood of his shop, the cost of running his own delivery service will be greater than that of employing the post, railways, or common carriers. The difference can only be justified if it is offset by more satisfactory service to the customers

A retailer selling proprietary articles or common merchandise for which the prices are fixed by the suppliers or by competition may lose money through offering free delivery over a wide area. In such cases, the probability is that the retailer can only afford to give free delivery in the immediate neighbourhood of his shop, and, although he can obtain additional sales turnover by extending his operations beyond that area, the cost of distant deliveries may make the additional business unprofitable

Uneconomic
Deliveries

There is a very definite limit to the area which delivery vans can work economically from their base, and beyond this limit the retailer should use the post, railways, or common carriers. There is a strong tendency for retailers to run their vans beyond this

economic limit and precautions must be taken to avoid this. The mistake is usually due to ignorance of working costs and the remedy is a study of these costs and the elimination of all uneconomic journeys.

In regard to advertising there is no doubt that smart delivery vans with courteous and efficient drivers and porters are good publicity for a retailer and may influence potential customers in favour of dealing with him. High-class shops whose names are well known and respected find that a certain type of customer—the social climber—deals with them principally because she likes to have their vans calling at her house and the employment of hired vans at sale times frequently leads to complaints from customers whose dignity has been offended by the calling of a plain van. Some retailers use their vans for special event or merchandise advertising by posting bulletins on the van bodies.

Vans as
Publicity

Sometimes the advertising value of delivery vans is made an excuse for running them beyond the limits of economic delivery in districts outside the retailer's normal area of influence but this is unsound. The effectiveness of an advertisement depends upon its being seen by potential customers and persons resident in a district outside the retailer's area of influence cannot be considered potential customers. Furthermore if orders secured from distant customers as the result of vans calling occasionally in the neighbourhood can only be executed at a loss the advertising is unprofitable.

This does not of course apply to cases in which a retailer has some special reason for cultivating a district for example when he contemplates opening a branch there.

In regard to safety there are some goods which require skilled treatment or a special form of conveyance owing to their fragile or perishable nature and it may be unsafe to entrust such goods to the post, railway or common carriers. In these circumstances the retailer must either avoid undertaking to deliver these goods or have his own vans and men.

Safety of
Goods

There is the further point that goods which can be sent unpacked—or which require very little packing—in the retailer's own vans may have to be packed very carefully and very expensively for consignment by railway.

Some large department stores have to run four separate delivery services for (1) drapery goods (2) food (3) furniture and (4) pianos while some smaller ones have to restrict their delivery service to certain departments

When a retailer decides to operate his own delivery service it is very important for him to establish it as a separate dispatch department under the control of a manager skilled in dispatch work and to define the relationship between this and the other departments. He must not allow the dispatch employees to be ordered about by the salesmen or by the managers of the selling departments who are not likely to give proper consideration to the cost of the services they requisition.

In a small organization the dispatch manager may work under the supervision of the proprietor who will settle any difference of opinion between the dispatch department and the selling departments. In a store of moderate size the dispatch manager may work under a general manager who controls the whole selling side of the organization and in a very large store the dispatch manager may work under a superintendent who controls the whole of the utility services of the house e.g. premises maintenance dispatch goods reception and telephones.

A dispatch manager's task is to provide efficiency with economy and the work calls for considerable organizing ability and close personal attention. Drivers and porters are not the easiest type of employee to control and any weakness or indecision or incompetence on the part of the manager is likely to be reflected in laziness and carelessness on the part of the staff.

The type of dispatch manager who can sum up a difficult situation quickly and give a clear decision and who follows the movements of his men closely gets far more work and respect from them than the man who leaves them to their own devices and grumbles at them when they do wrong.

Leadership and training are just as necessary to a dispatch employee as they are to a salesman and the men should not merely be told how to drive a vehicle how to address customers or how to pack parcels but taught the best way to do so. This is a point overlooked by many retailers who fail to appreciate the fact that

the goodwill of their business is in the hands of any employee who deals with their customers or handles their goods

Apart from obvious cases of delay or damage in transit a large number of the customers complaints received by retailers regarding merchandise are really due to unskilful handling or packing of goods which has spoilt their appearance and led the customer to be dissatisfied with them

Damage in
Transit

Flaws in fabrics may be due to their being caught on projections or rough surfaces taint in foodstuffs may be due to their being placed alongside noxious articles in a van and ill fitting doors or drawers in furniture may be due to the pieces being dragged along the ground or hauled out of a van Familiarity breeds contempt and many porters have no regard whatever for the goods they are handling their only thought being to get them on or off the van as quickly as possible In view of this it is important for complaints of damage to be investigated and traced to the individuals responsible

It is an important principle of dispatch work to reduce the handling of the goods to a minimum This saves labour thereby reducing the wages bill and also lessens the risk of damage

Reduce
Handling
to a
Minimum

In most large shops and stores the dispatch department is housed in the basement or sub basement and goods lifts connect this floor with the upper floors in which the selling departments are housed Light articles may be placed in basket trucks in the selling departments and taken down the lifts in them to the dispatch department Heavy articles can similarly be carried on platform trucks If this is done the trucks will be wheeled quickly from place to place with a minimum of exertion The goods will be kept off the floor and there will be no excuse for throwing light goods about or dragging heavy goods along two common sources of damage

In some drapery stores parcel chutes are used to carry the goods from the selling departments to the basement but these chutes are only suitable for packed parcels of non fragile goods and where they are provided there is some danger of their being used for unpacked or fragile goods with resultant damage

In a typical dispatch department the goods sent down from the selling departments are received by an inspector who picks out

the sales check or delivery instruction form and scrutinizes it, first to see that the consignment has been paid for or sanctioned; second to see that the address is clear and adequate, and third to see whether there are any special delivery instructions. He will then turn his attention to the goods, check the items with the sales check, and examine them as regards condition. If everything is in order he will initial the sales check or delivery instruction form and add the time the goods arrived in the dispatch department.

This inspection is a heavy responsibility, because some salesmen and porters are none too careful in collecting goods for dispatch, and once the dispatch department has accepted a consignment it will be held responsible for any loss, damage, or delay.

In some cases it may be impossible to give a complete delivery of the goods ordered by a customer. There may be shortages due to mistakes or accidents, to "overselling" the stock, or to delays in executing work orders or in obtaining goods specially for customers. When it is necessary to send the goods that are ready, without waiting for the shortage, care should be taken to record the shortage, otherwise it may be overlooked.

If the goods have not yet been charged on a sales check, or the sales check can be amended, it is advisable to prepare two sales checks, one covering the goods that are ready and the other to cover the shortage. The first one will go forward with the available goods and the other will be held by the salesman until the shortage goods arrive.

If, however, the sales check has already been made out and cannot be altered, as in the case of cash transactions, or if the shortage goods cannot be charged separately, it is necessary to note the shortage on the sales check or delivery instructions and make out a "no charge" check, or, preferably, a special "Delivery Extract Note," to cover the shortage. A suitable form for this purpose is illustrated on page 309.

"Delivery Extract Notes" are usually prepared in a triplicate book. The original and duplicate are sent with the amended sales check or delivery instructions to the counting house for sanction, and the triplicate is kept in the book for reference. After sanction, the amended sales check or delivery instruction goes forward with the available

Inspection
of
Consignments

Shortages

Delivery
Extract
Notes

DELIVERY EXTRACT NOTE

KFE 107

Date 9th April 1931

Send to Mrs Littleton
17 The Meadows
Mitcham

Shortage from Delivery Instructions No R 17 461

Dated 7/4/31

Goods below charged on Sales Check No KF 1709

Dated 7/4/31

Quantity	Description	
1	Deal Kitchen Cabinet No 21	
Reason for shortage	Work order delay (KFW 83) Paint not dry	
Goods will be ready	To morrow (Friday)	
<div data-bbox="113 1318 404 1486" style="border: 1px solid black; padding: 5px; transform: rotate(-5deg);"> NO CHARGE 9 Apr 31 CTG HO. PJ </div>	Examined by	Salesman
	S Hughes	R Tubbs

goods the original delivery extract note is sent to the person responsible for obtaining the shortage goods, and the duplicate is kept in the counting house for the records

Counting house supervision of shortages is most necessary, because there is danger of controversies with customers through shortages being charged twice—first when they should have been sent and again when they are sent—and there is also danger of their not being charged at all, owing to their being crossed off the sales check and subsequently being sent “no charge”

It is advisable to send a letter of apology to the customer in connection with shortages, or at least to put a shortage card in with the available goods. A suitable wording for this

Apologizing
for
Shortages is given below

Efforts should be made to find out when the shortage goods will be ready, and the customer should be told on which day she may expect to receive them, as this will enable her to make her arrangements accordingly and will save her the trouble of asking for the information. Neglect of this courtesy is likely to lead to complaints from customers.

An apology should also be sent when single items cannot be delivered within a reasonable time, or when a promise regarding delivery cannot be fulfilled.

BROWN & BROWN, Regent Street, W 1

9th April, 1931

Dear Madam,

We regret that the following item included in your esteemed order was not available at the time of dispatching this consignment—

1 Deal Kitchen Cabinet, No 21

We hope to be able to dispatch this To-morrow (Friday)
Apologizing for the delay,

We remain,

Your obedient servants,
BROWN & BROWN

Mrs Littleton

17 The Meadows, Mitcham

STOCK RECORD (SUPPLIES)

Goods		Waterproof Kraft		Stock No		34			
Supplier		Britannia Kraft Co Ltd							
Maximum Stock		36 rolls		Minimum Stock		12 rolls			
						Cost 1s 3d roll			
Date	Req No	In	Out	Balance	Date	Req No	In	Out	Balance
Apr 7	B Fed			15					
9	727		1	14					
	728		1	13					
10	761		1	12					
11	B K Co	24		36					
	801		1	35					
13	814		1	34					
	815		1	33					
14	833		1	32					

When the inspector receiving goods into the dispatch department is satisfied that everything in connection with them is in order he will pass them to the packing section if they have not already been packed and labelled

Packing
the Goods

The packing room in a department store has to deal with a wide variety of goods requiring different treatment and it is advisable to divide the room into sections each section dealing with a particular class of goods and having packers skilled in handling those goods with the appropriate packing material close at hand. For example there may be separate sections for (1) linens soft furnishings overalls etc (2) millinery dresses lampshades etc (3) carpets rugs linoleum etc (4) china glass hardware etc (5) furniture musical instruments etc and (6) food etc

If there are railway or export consignments these must be segregated for special packing

Where large quantities of packing materials are used the stock should be kept under lock and key and made the subject of a simple card index stock record (see page 311). The stock keeper should only be allowed to issue materials in exchange for a written requisition sanctioned by the dispatch manager and his records should be checked with the stock at frequent intervals. A suitable form for the requisition is illustrated below. The stock keeper should prepare a weekly summary showing the cost of the material used in each section of the packing room.

REQUISITION FOR SUPPLIES		No 727
To		Date 9/4/31
	Stock keeper Dispatch Department	Stock No 84
Please supply the following		
1 Roll Waterproof Kraft		
Departmental Manager's sanction	Charge to	Packing for rails
Ernest Day Dispatch Manager		H Darby Packing Foreman

After packing the parcels for districts outside the van delivery area will be taken out of the main flow. The small ones eligible for posting are passed to the post clerk who weighs them, stamps them and lists them on sheets. His entries should be checked with the parcels and the sales checks or delivery instructions by a supervisor and the sheets should be countersigned by the supervisor. In some shops the value of the stamps used is so great that a counting house official is sent down to check each consignment before the parcels are posted. Although the Post Office will check and return a copy of the parcel sheets if it is supplied to them, they cannot be relied upon to draw attention to overstatements regarding the value of the stamps used, as they are only interested in seeing that sufficient postage is prepaid. As a further precaution, all stamps supplied to the dispatch or other departments should be purchased ready perforated with the retailer's initials from one of the firms supplying perforated postage stamps.

Posting
Parcels

The post clerk will also fill up the Post Office Trade Charge forms for Post Office C O D consignments and prepay the fees in stamps. These should also be checked with the sales checks by the supervisor who must satisfy himself that the amount the Post Office is instructed to collect is the correct one. He must also see that no parcels which should be sent C O D slip through in the ordinary post.

Retailers operating a van delivery service over a wide area may find that it is cheaper, safer and more convenient to send some small parcels by post than to include them in the van deliveries. A parcel which could be posted for 6d may necessitate a van travelling an extra 10 miles and there is a risk of small parcels being stolen by passers by while heavier goods are being unloaded. In view of this the van delivery area for small parcels may be made smaller than that for large ones, or all parcels which can be posted for 6d or less may be sent by post. This is a matter which can be left to the discretion of the dispatch manager, because he can use this alternative facility of posting to balance the volume of van consignments sending small parcels by van in slack periods and by post in busy periods.

Posting as an
Alternative to
Delivering

Box tricycles may be used economically for delivering small parcels to addresses in the immediate neighbourhood of the shop.

Some retailers, who do not wish their van porters to handle money, send all C O D consignments by post or rail

The larger parcels and cases for dispatch to places outside the van delivery area will be passed to the rail clerk, who will dispatch them by the best available railway or carrier. This man should have a thorough knowledge of the transport facilities offered and of the railway classifications, as time and money can be saved by carefully selecting the route and describing the goods according to the classification. There are curious anomalies in the railway classifications and in the comparative cost of road and rail consignments.

Consignments
by Rail and
Carrier

In considering the relative costs of road and rail deliveries, it must be borne in mind that, with many classes of merchandise, much more careful and expensive packing is necessary for rail than for road delivery.

The rail clerk's consignment sheets and his instructions to his carriers regarding delivery or C O D collections should be checked with the sales checks or delivery instructions by a supervisor before the goods are sent off.

The main flow of parcels for delivery by van will go to the dispatch shed, which is usually divided into bays or sections, one for each van "territory". The parcels are sorted according to territory, and the sales checks or delivery instructions are "posted" in boxes representing the different territories, ready for the delivery sheets to be made out from them.

Van
Territories

The division of the delivery area into territories is often a difficult problem for the dispatch manager, especially if he has a collection of vehicles of varying capacity and speed, as is often the case. The fastest vehicles must be given the longest journeys, and the largest vehicles the heaviest loads.

In most cases it is advisable to give each territory a regular van, driver, and porter. This enables the men to become familiar with the territory, with the loading and driving of the van, and with one another's methods. The driver is responsible for his engine or horses and the porter is responsible for his customers, so far as their satisfaction with the delivery service is concerned.

It is, however, important to make the boundaries of the territories flexible, in order to permit of loads being "spread over" and so apportioned more equally amongst the vans. If the boundaries are

DELIVERY SHEET

Journey S E Van No 14 Porter Briggs Driver Higgins Date Monday 13th April 1931

Address	Addressee	Goods	Sales Check No	Counting House Instructions	Amount to Collect	Addressee's Signatures
Elephant and Castle 2 Windmill Road Camdenwell	Mrs Bothwell	Parcel	IR 772	Paid	£ 5 2	M Bothwell
84 South Street Dulwich	Mrs A Manley	2 carpets	CP 321	Account		A Manley
141 Long Lane 61 Murray Road Sydenham	A Hamer Esq Mrs Grant	Case Parcel	CH 1276 SK 443	C O D No charge	1 2 6	D Hamer Na answer—Goods brought back
15 Villa Park 101 Easter Road Forest Hill	B Cope Esq Mrs L Watson	2 parcels Easy chair	{LS 678 GR 1031 UF 552	Paid Account		J Susft L Watson
58 Pond Street Peckham Rye	Mrs V Shaw	Case	CH 1276	C O D T C	3 2	V Shaw
31 Gordon Road Old Kent Road	Mrs Whitaker	Parcel COLLECT table	MY 352	Appro		N Whitaker
48 Hall Street	H Blake Esq		CFC 54	Collection		Collected
Prepared by W Dooley	Checked by A Walsh	Inspected after delivery by Ernest Day Dispatch Manager				

closely defined, the porters may object to taking parcels to places outside their territory

The van porters' instructions nearly always take the form of Delivery Sheets, similar to that illustrated on page 315. A clerk takes the sales checks or delivery instructions from the box for the territory, sorts them into the most convenient order of calling, and then enters them on the delivery sheet. This sorting, or "routing," as it is called, is a simple matter, provided the clerk knows the territories, and it is a great help to the porters. If the delivery sheets are not routed for them the porters will probably stop somewhere on the road to make out their own lists of calls, which is a great waste of time and an excuse for loitering.

It is customary for the delivery sheets to be prepared in duplicate books, and for the carbon copies to be left in the book for reference. The dispatch department's copies of the sales checks or delivery instructions will be filed in a "Deliveries in Progress" file, pending the return of the original delivery sheets after the deliveries have been made.

When the delivery sheets are ready, a supervisor should check them with the sales checks or delivery instructions, paying particular attention to C O D consignments. He should then check the delivery sheets with the parcels, in collaboration with the van porters, as from this point the porters must assume responsibility for the goods. It may be advisable to stick special "C O D" labels on parcels which have to be paid for on delivery, as a reminder to the porter.

In order to prevent confusion and dishonesty the reception doors of the dispatch sheds should be closed before the delivery sheets are checked with the parcels, and kept closed until the vans have left. Unless this is done, there is danger of late parcels being brought in after the sheets have been made out, and passed on to the vans without being recorded.

Another objection to allowing late parcels to drift into the dispatch sheds while loading is in progress is that it delays the departure of the vans. There is an "art" in loading a van so as to economize space, to protect the goods from damage, and to place them in convenient position for unloading as required, and a porter may have to empty and reload his van in order to accommodate a late consignment.

The dispatch manager can always make an exception in the case of an extremely important late consignment but apart from this reception for the various deliveries should close at stated times, and the vans should be sent away as soon as possible afterwards Getting the Vans Away

It is very important for the dispatch manager or a deputy with full authority, to watch the vans being loaded and prepared for the road, to settle immediately any queries which may arise and to send the vans away as soon as they are ready. Unless this supervision is given, porters, drivers, and clerks are prone to waste time in gossiping or arguing over minor details.

Although drivers as a rule, are paid higher wages than porters it is advisable to place the porters in charge of the vans and to make this position clear, so that the porter can tell the driver where to go, fix and limit meal times in accordance with the regulations of the department and call upon the driver for assistance in loading and unloading when necessary Van Drivers and Porters

In some cases the dispatch department may requisition the vans and drivers from a separate transport department or hire them from outside contractors, but the porters should always be direct employees and accredited representatives of the dispatch department. Casual employees should never be employed as van porters, because, apart from being entrusted with the van and its contents, the porter has access to customers' houses and the retailer will be held morally, if not legally, responsible for anything the porter does.

The appearance of the drivers and porters is also a matter of importance, and they should be encouraged to keep their uniforms clean and neat, also to keep their vans in good condition. Some large stores hold "inspections" of their dispatch fleet several times a year and present attractive money prizes to the smartest teams.

In addition to collecting goods from customers the porters may have to bring back goods which cannot be delivered owing to insufficient address, customer's refusal to accept delivery, or inability to pay C O D charges, or to non delivery there being no one at the address for delivery. Owing to the servant problem and the attraction for housewives of matinees, bridge parties, golf, tennis, and motoring many

suburban villas are left unoccupied for long periods of the day, and a van delivering drapery goods or furniture in the afternoon may be unable to deliver a large proportion of its load. In some cases three or four visits may have to be made to a house before goods can be delivered. This is a strong argument in favour of getting the suburban deliveries away as early as possible in the mornings, and of posting small parcels to outlying districts which cannot be reached until the afternoon.

Some van porters show great ingenuity in getting goods "delivered" by putting them through windows, leaving them at neighbouring houses, or entrusting them to local tradesmen for delivery, and writing a "fake" signature on the delivery sheet. Such irregular practices must be expected if, as is often the case, the dispatch manager grumbles at the van porters bringing back goods. His desire to get the goods off his hands is natural, but irregular methods of delivery lead to complaints, controversies, and losses, and therefore should be discouraged.

It follows that the signatures on the delivery sheets should be scrutinized closely, and where van porters are allowed in exceptional circumstances to leave goods without a signature, they should be instructed to state, in the signature column, exactly what they did with the goods. Where goods cannot be delivered, the porters should write 'Brought back' in the signature column and give the reason.

Porters should be provided with "non delivery" cards to put into the letter boxes of houses at which they cannot obtain an answer.

<p>Notifying Customers of Non- Deliveries</p>	<p>A suitable wording is given on page 319. This message shows the customer that the retailer is not to blame for the non delivery, and will save her making a complaint. It should also be a safeguard</p>
---	---

against a second unsuccessful attempt at delivery, as most customers would telephone if they found that they would have to be out at the time mentioned on the card.

When the vans return to the dispatch shed, a supervisor checks their delivery sheets and examines any goods brought back. Where these goods are returned because the porter could not obtain an answer or the customer could not pay C O D charges at the time of delivery, the goods will be taken to the dispatch bays for the

next deliveries and the dispatch copies of the sales checks or delivery instructions will be taken out of the *Deliveries in Progress* file and put into the boxes ready to be entered on the next delivery sheets

Smith & Jones called to deliver goods but found no one at home The next delivery will be to morrow morning about 11 o'clock Kindly telephone Seafield 9027 if this is not convenient

The dispatch department's copies of the sales checks or delivery instructions in respect of which deliveries have successfully been made will be attached to the dispatch sheets and may be sent to the counting house for inspection

Where motor vehicles are used it will be advisable to exercise some supervision in order to prevent the drivers wasting time or petrol driving in a manner likely to injure the motors or damage the goods or committing any legal offence The Road Traffic Act of 1930 gives particular attention to the running of commercial vehicles and should be studied closely by retailers and their dispatch managers It fixes a scale of speed limits for commercial vehicles varying according to the weight unladen and the kind of tyres fitted and it also limits the time for which drivers of commercial vehicles may remain continuously on duty

Control of
Motor
Vehicles

A driver must not be on duty continuously for more than 5½ hours without an interval of at least half an hour for rest and refreshment and he must not be on duty for more than 11 hours in any period of 24 hours commencing from 2 a.m. Furthermore he must have at least 10 consecutive hours for rest in any period of twenty four hours calculated from the commencement of any period of duty although 9 consecutive hours rest is sufficient if he has 12 consecutive hours rest in the following period of twenty four hours

Limit of
Continuous
Duty for
Drivers

Apart from seeing that his drivers do not commit legal offences the retailer may have to take steps to prevent them joy riding off their route loitering at public houses coffee shops or other

places, giving "lifts" to unauthorized persons, or carrying parcels for other people. Some of the largest department stores employ inspectors in plain clothes equipped with motor-cycles to tour the delivery area and watch the vans, following any driver who is under suspicion of irregular conduct.

Methods of Supervision

regular conduct

Milometers fitted to the wheels, or incorporated in the speedometers, are commonly used to record the number of miles the vans travel and some retailers fit "control clocks," which record on paper the periods during which the vans are moving and the times and length of the stops and will, therefore, betray drivers who loiter at coffee shops and then drive at excessive speeds to catch up to their schedule time.

Petrol and oil consumption is a further check on the number of miles run and the way in which the vans have been driven, although some drivers would not hesitate to supply their own petrol and oil for an extensive joy ride.

In many cases, van drivers have to keep "log books" giving a brief summary of each day's work, with the milometer and petrol gauge readings at the beginning and end of the day, and notes of any accidents or breakdowns or of faults developing in the motor. A specimen form of "Driver's Log Book" is illustrated on page 321. The log book is generally a duplicate book, the driver hands in the original at night on leaving his van at the garage and keeps the duplicate in his book.

Drivers Log Books

The time keeper at the garage checks the milometer and petrol gauge readings as the vans enter or leave the garage. Most garages now have private petrol and oil pumps and the vans are filled up every morning before starting out.

One advantage of the log book system is that it encourages the drivers to take an interest in their mileage and petrol consumption.

Bonuses for Economical Driving

In some organizations "targets" are set for miles to the gallon of petrol and oil, and for the "life" of tyres in miles, and the drivers who improve upon their targets—a sign of careful and economical driving—receive attractive bonuses.

Another advantage is that the log books provide figures which enable the comparative cost of the various journeys to be ascertained, also the comparative cost of different types of vehicle used. The

log-books are also a check on the quantities of petrol used by the organization as a whole, because the total quantity issued each day must agree with the total of the quantities acknowledged by the drivers in their log books

DRIVER'S DAILY LOG

1074

Driver *Higgins*Van No *14*Date *14/4/31*Journey *SE*Porter *Briggs*

Gauge Readings

Summary of Day's Movements

MILOMETER

On leaving
garage . *7,193*
On return . *7,247*

Miles run . *54*

Left garage *8 10* Arrived shop *8 23*
Left shop *9 15*

Deliveries or collections in

*Elephant, Camberwell, Dulwich Sydenham,
Forest Hill, Peckham Rye Old Kent Road*

PETROL

Last night's
reading . *4*
Drawn . *4*

On return . *8*

Used . *5*

Miles per
gallon . *3*

Lunch *12 15* to *1 15* at *Waterloo Road*
Arrived shop *1 30* Left shop *2 20*

Deliveries or collections in

*Kennington, Herne Hill Dulwich, Sydenham,
Penge, Forest Hill, Camberwell*

Tea *5 15* to *5 45* at *Walworth Road*
Arrived shop *6 5* Left shop *6 10*
Arrived garage *6 25*

Checked by
H. Simpson
Timekeeper

Breakdowns, accidents, or faults

Engine pinking on hills—needs decarbonizing

Examined:

Driver's signature

J. Andrews
Garage Master

B Higgins

It is vitally important for accurate stock records, similar to that illustrated on page 311, to be kept, covering all the oil, petrol, tyres, spares, and accessories stocked in the garage, as there is great scope for trafficking and pilfering, especially when employees or customers are allowed to park their private cars in the garage during the day.

Garage
Supply
Stocks

The garage stores should be kept under lock and key in a special room, in charge of a stock keeper who can be trusted, and should only be issued in exchange for written requisitions signed by the garage master. The form of requisition illustrated on page 312 is suitable for this purpose. A counting house official should audit the stock records regularly, checking the entries "in" (goods received into stock) with the suppliers' invoices, and the entries "out" (goods issued) with the requisitions.

Where a large number of motor vehicles are in use, the garage organization will usually include a garage master who is a skilled automobile engineer, and a staff of mechanics, fitters, greasers and cleaners, whose duty it will be to keep the delivery fleet in good repair and working condition.

Garage
Organization

In periods of slack business the vans will be "rested" in rotation for overhaul and repair, and in rush periods, when every available van is engaged, the inside men will act as auxiliary drivers.

As both dispatch and garage operations require close personal supervision, and one manager cannot be in two places at once, there is a strong case for creating a separate "transport" or "garage" department, the manager of which will be responsible for the maintenance of the fleet and the selection and training of the drivers. The transport department will then supply vans and drivers to the dispatch department as required, and, in some cases, will also supply them to other departments and to branches.

There should be no difficulty in defining the relative powers and responsibilities of the dispatch and transport managers. If, for example, the dispatch manager orders eight vans to be at the dispatch shed at 8.30 a.m., the transport manager has to see that they are there at that time. On their arrival, they come under the authority of the dispatch manager, who is responsible for full and proper use being made of them during the day and for their being returned to the garage as soon as their day's work is finished.

Relations
Between
Dispatch and
Transport
Departments

As, however, the transport manager is responsible for the condition of the vans, he will be held responsible for any mechanical breakdowns and for any uneconomical running "Running" in this case means actual miles run the transport manager is not responsible for the cost per consignment as this depends upon circumstances outside his control, e.g. the routing and loading of the vans, the efficiency of the porters, and the quantity and nature of the goods carried. The cost of petrol, oil, tyres and repairs per mile run is, however, an indication of the efficiency of the driver and of the maintenance service at the garage.

It is not necessary for a retailer to own or maintain his delivery vans. In most large towns there are transport contractors who will either hire their vans to the retailer, fitting and painting bodies to meet his requirements, or maintain his vans for him at a fixed charge. These contractors usually supply the drivers, and they serve the dispatch manager with vans in precisely the same way as an internal transport department would do.

Hiring
Vans

The question of whether it will pay a retailer better to have his own garage organization and vans or to hire vans by contract from outside contractors depends upon his circumstances. The outside contractor's service is most attractive when the retailer has no garage accommodation or vans and is unable or unwilling to invest capital in purchasing them. As the contractor's charges are largely based on the prospective life of the car, they appear more reasonable to the retailer with heavy loads and mileage—and therefore rapid depreciation of vans—than to the retailer who has only light work to do and could therefore, make a van last for considerably more than the average "life".

The retailer also has to consider the question of how the services of the transport manager and organization he could afford would compare with those offered him by the local contractors.

Dispatch costs are watched very closely in big retail establishments and are often the subject of voluminous statistical reports.

As the preparation of such reports entails a considerable amount of work, and therefore considerable clerical expense, it is important for the facts and figures to be marshalled with a definite object in view.

Dispatch
Costing

The objects of dispatch costing may include the following—

- 1 Comparison of the costs with the expense target set for the dispatch department by the management
- 2 Showing the dispatch costs as a percentage of the sales turnover.
- 3 Ascertaining the comparative cost per consignment of different methods of delivery
- 4 Ascertaining the comparative cost of different delivery journeys.
- 5 Ascertaining the comparative cost of different types or makes of commercial vehicles

The total costs of the dispatch operations for any period may be found by adding together the wages and other payments in cash, the cost of all materials used, and the correct proportion of all establishment, overhead, or depreciation charges

Total
Costs

All these items will probably be charged by the counting house to a 'Dispatch Expenses' account in the nominal ledger—the cash disbursements as the payments are made, the materials as they are used, and the apportionments as they are made at the end of each financial period

It is probable, however, that the counting house figures will not be prepared often enough or quickly enough to enable the dispatch costs to be watched closely and, in that event, the dispatch department must report its costs weekly, providing figures that can afterwards be verified with the counting house figures. A form suitable for this report is illustrated on page 325

The 'vehicle costs' will either be the amount paid for hire, or the all in establishment and maintenance costs of the garage and vehicles. The garage clerks usually keep a 'cost

Vehicle
Costs

ledger' with a separate account for each vehicle employed. To this account are charged the motor tax and any other payments in connection with the vehicle, the cost of all labour and material used in repairing and maintaining it, a charge for 'depreciation,' which will enable the original cost of the vehicle to be written off during its working 'life,' and a proportion of the garage rent, rates, lighting, heating, water, supervisory and clerical wages, and other overhead expenses. The whole of the garage overhead expenses will thus be spread over the vehicles

By dividing the average cost of a vehicle for any period by the number of working days in the period, a basic cost per day for the

DISPATCH COSTS STATEMENT

Week Ended 25th April 1931

Description	Cost			Number of Consignments	Cost per Consignment
	£	s	d		Pence
DELIVERY FLEET					
Vehicle costs	60	—			8 5
Drivers and porters wages	74	10			10 6
Petrol and oil	18	3	4		2 6
Incidental expenses	4	13	10		7
	157	7	2	1 686	22 4
Rail consignments	53	1	4	320	39 8
Post consignments	22	16	11	494	11 1
	£233	5	5	2 500	22 4
PACKING					
Wages	28	7	4		2 7
Materials	15	12	6		1 5
	£43	19	10		4 2
Inside porters	21	5			2 1
Management and clerks	18				1 7
Sundry expenses	5	1	8		5
Overhead expenses	7	10			7
	£51	16	8		5
Total	£329	1	11	2 500	31 6

vehicle is arrived at and this basic cost plus the cost of the driver's and porter's wages the petrol and oil actually used and any incidental expenses incurred on the road is charged to the journey on which the van has been engaged.

The cost of the packing materials used will be found by summarizing the requisitions issued during the period and the weekly apportionment of overhead expenses will be a figure previously agreed by the counting house.

The weekly cost reports of the dispatch department may be compared with a target previously determined by the management with the previous week's figures or with the figures of the corresponding period for the previous year but these figures will only be a true test of the efficiency of the dispatch department when the volume of deliveries is taken into account. The dispatch costs may therefore be compared with the sales turnover for the week and be expressed as a percentage of that turnover. Furthermore the target may be a percentage of the sales turnover instead of an amount e.g. if the sales average £5 000 per week and the dispatch costs average £100 per week the target may be made 2 per cent of sales instead of £100 per week in order to allow for fluctuations.

However deliveries do not always fluctuate in proportion to sales turnover. A bargain sale in which large quantities of low priced goods are sold may increase the number of deliveries to a very much greater extent than the sales figure would suggest owing to the average check being so much lower. On the other hand a special event staged in a department selling small goods which are taken away by customers may add very considerably to the sales turnover without adding to the number of deliveries.

In department stores therefore it is advisable for the number of consignments handled by the dispatch department to be recorded and the cost per consignment ascertained by dividing the number of consignments for each week into the total costs for the week. The target may then be so much per consignment.

By analysing the number of consignments and the costs the comparative cost of road, rail and post consignments may be ascertained and by further analysis the cost per consignment for each delivery territory or journey can be found.

Cost per consignment figures for the various journeys not only draw attention to uneconomic journeys but also enable comparisons to be made between the cost of delivery by different types or makes of vehicle. The more powerful vehicles will naturally have a higher cost per day but their greater capacity or speed should enable them to handle a larger number of consignments per day. By testing different types of vehicles on different journeys and watching the cost per consignment the best type of vehicle for each journey

may be discovered and uneconomic journeys or uneconomic vehicles eliminated

The miles run by the vehicles as recorded in the drivers daily logs may be divided into the cost of maintaining and running them in order to find the all in cost per mile a figure which is valuable in comparing the relative efficiency of different types of vehicles doing similar journeys and of different drivers doing similar journeys on the same type of vehicles

CHAPTER XV

MAIL ORDERS

IN introducing the subject of delivery service, distinction was made between delivery service given discriminately to individual customers and delivery service offered broadcast as a sales promotion policy

The same distinction must be made in introducing the subject of mail order service. The retailer who is prepared to execute orders received by post from customers living, or staying temporarily, at a distance from his shop, and who judges each case on its merits with regard to the conditions in which he will execute such orders, or the charges, if any, he will make to cover postage and packing, is in a very different position from the retailer who solicits mail orders from distant customers by advertising in the national newspapers or circularizing potential customers outside his own district, and organizes his business or a section of it, on mail order lines, with terms and prices arranged accordingly

In some countries families living in isolated places are dependent upon mail order service for their supplies of commonplace merchandise, but this isolation is rarely met with in the British Isles. In England and Wales, in particular, mail order trading is almost confined to merchandise of a distinctive character and is, therefore, mainly in the hands of specialist shops and of manufacturers who serve the public directly

Scope for
Mail Order
Business

Successful specialization increases the area of influence of a retail business beyond the neighbourhood of a shop and customers who cannot come to the shop or be visited by a salesman must be served through the post. Retailers who offer a distinctive service, or market distinctive lines of special merit under their own names, almost invariably develop a mail order side to their business

A few existing mail order businesses were organized primarily to serve customers through the post but the majority of retailers now transacting business through the post have built up their mail order business gradually as an auxiliary to their shop or 'counter' trade

Mail order service enables discriminating people to deal with the retailers who cater especially for them, regardless of the distance between customer and retailer. If such people are willing to buy through the post, they expect the retailer to be willing to sell through the post, so that postal service is almost an obligation of the specialist retailer.

Obligatory
Postal
Service

The man-about town who is a connoisseur of cigars buys his supplies from a firm specializing in fine quality cigars. When he is in the country or abroad he expects to be able to obtain his supplies through the post from the same firm. Ordinary tobacconists cannot cater for this type of customer, who would rather go without his cigars than smoke something not exactly suited to his tastes.

This illustration has a parallel in nearly all trades. The draper or milliner specializing in new fashions, the grocer specializing in uncommon delicacies, the furnisher specializing in period or ultra-modern styles—to give only a few examples—must all be prepared to execute post orders efficiently and on terms acceptable to the customers, otherwise they will annoy their customers and lose business.

It does not follow that, because a retailer receives orders through the post from certain distant customers, he can profitably broadcast an offer of mail order service. The expenses of correspondence and distant delivery may make mail order service unprofitable to him, and the degree of specialization in his service may not be sufficient to justify the customer paying these expenses. Furthermore, although his margin of profit may be sufficient to enable him to execute mail orders without charging the expenses to the customers, or by charging them the bare carriage or postage on the goods, this margin may not be sufficient to cover the cost of the special advertising necessary to solicit mail orders from distant potential customers.

Mail Order
Economics

This is a pitfall for ambitious retailers, many of whom rush into unprofitable mail order business as a result of being unduly flattered by unsolicited mail orders.

This difficulty may be illustrated as follows. A local grocer blends a special tea for sale under his own name at 3s per lb., and it proves very popular amongst his customers. A number of customers move to other districts and continue to buy this tea from him through the post. The probability is that they would not expect

to order more than 1 lb at a time, or to pay the postage on such orders (6d) In other words, his special tea would cease to be attractive to them at 3s 6d per lb or if they had to order it in large quantities. Now the retailer might be willing to bear the cost of postage, sacrificing some of his gross profit, in view of the additional turnover represented by these mail orders and the prestige they give to his tea, and he might even be tempted to spend money in advertising the tea outside the normal area of his business and soliciting mail orders.

If he did this, he would probably have to employ a special staff to deal with mail orders and the inevitable correspondence in connection with them, and this additional expense, coupled with the expense of advertising, might make the mail order business unprofitable, even if he adjusted his prices to make the new customers bear the cost of postage, or contribute towards it.

The factors which a retailer should consider in contemplating mail order business include the following (1) the degree of special-ization in his business, i.e. the true merit of the service which he can offer to distant customers, in comparison with the service they can obtain from their local shops or from other mail order houses, (2) the expenses of the mail order service he has in mind, the extent to which he can make his mail order customers contribute to these expenses, and the relation to his gross profits of the proportion of these expenses which he must bear (3) the feasibility of his being able to get into touch with potential customers likely to be attracted by his mail order service, and the probable cost of soliciting their orders by Press or direct mail advertising, (4) the extent to which his staff can handle mail orders, the special staff which might have to be employed and the cost of that staff, also of the equipment they would need (5) the effect, upon his normal business, of the development of a mail order business and especially of any adjustments of service or prices to local customers which might have to be made in order to facilitate the development of mail order business.

The retailer should have no difficulty in ascertaining the terms upon which he can profitably give mail order service of his distinctive lines to distant customers—his experience in serving customers who have moved away from his neighbourhood may be a guide in regard to this—

When Mail
Orders Are
Unprofitable

Factors in
Contemplating
Mail Order
Business

Studying the
Demand

but he may have considerable difficulty in gauging the attractiveness of his service to distant potential customers and his experience with "removed" customers may not be a safe guide in this connection.

He must bear in mind that "removed" customers know his shop and his merchandise and therefore have confidence in ordering by post, whereas it may be exceedingly difficult for him to represent his shop, his service or his merchandise adequately in advertising or to inspire confidence in strangers. Confidence is all important in mail order trading, which explains why the great London department stores, whose names are 'household words' throughout the country, can successfully develop this form of business.

There is the further point that removed customers may continue to deal with a shop for sentimental reasons or because their business is confidential and they do not wish to entrust it to strange shops. These are circumstances which operate *against* a mail order trader who solicits business from potential customers who are strangers to him.

In many cases the only satisfactory way to explore the possibilities of mail order business is to make a series of practical tests, excluding from the tests any existing mail order customers. Emphasis must be laid upon the need for a series of tests, because it may be necessary to make a series of appeals to a potential customer before she can be persuaded to send her order, and also because, in most cases, the cost of obtaining mail order customers cannot be recovered on single orders and the test is therefore whether *regular* mail order customers can be obtained, and incidentally whether the mail order trader's competition can be met by the customers' local shops. In planning sales policy it may be even more dangerous to rely on incomplete tests than to rely on guesswork.

Testing the
Market

Mail order service cannot compete with personal or counter service when the goods offered and the prices charged are the same in both cases. It is a simple and pleasant task for a customer to go into a local shop and make a purchase, or to telephone her orders, but the average housewife has a dread of letter writing and finds it irksome and inconvenient to buy through the post.

Mail Order
v
Counter
Service

Another great disadvantage of postal shopping is that the customer cannot see the goods she is ordering and, unless she has

an account with the trader, cannot inspect the goods before she pays for them. It is no exaggeration to say that the majority of people cannot be induced to buy through the post, except on very special occasions, and this is a great handicap to the mail order trader.

Even mail order traders who supply goods of especial merit which cannot be obtained elsewhere find that their regular customers put off writing for goods day after day until their need for them becomes acute. In the case of luxuries or occasional requirements, the potential customers' procrastination often leads to orders being lost, as their interest in the mail order trader's offer evaporates before they can make up their mind to write.

There is the further disadvantage that the process of buying through the post is a comparatively slow one. It takes, on average, a day for the customer's order to reach the retailer and a day for the goods to reach the customer, and to this minimum period of two days must be added the time the retailer takes to execute the order. Some retailers who handle a large volume of mail orders all the year round and are properly organized for this work make it a rule to execute all orders on the day they are received, but many drapers and furnisners who only offer "postal bargains" at "sale" times are unable to cope with the work until the rush of counter orders in the shop has abated, and in these circumstances it is not uncommon for a mail order customer to have to wait a week or ten days for her goods. Meanwhile, she is becoming impatient and may regret not having made her purchase at a local shop.

Another disadvantage of postal shopping is that a comparatively large quantity of goods may have to be ordered at a time. Most retailers find it necessary to charge customers the carriage or postage on small quantities, and encourage their customers to order larger quantities, by offering free delivery on orders to the value of, say, £1 or over, the amount varying according to the class of goods and the margin of profit.

This contrasts very unfavourably with the local shopkeeper's willingness to supply just the quantity the customer requires, and may decide many customers against buying even the most attractive merchandise through the post. In view of this, the fixing of the

minimum value for free delivery is a vitally important problem, and the mail order trader must study his costs closely and work economically in order to keep the minimum as low as possible. Some retailers solve the problem by omitting from their mail order offers or catalogues any low-priced articles which are likely to be ordered separately and by making up attractive mixed parcels of "assorted" lines. They are then able to offer free delivery of *all* orders, an important advertising point.

A retailer who conducts a mail order service may find that only a limited number of his lines can be offered to his mail order customers, because many articles are not suitable for sale by post. He may also find that only a few of his lines are favoured by his mail order customers, because these are the only lines which they cannot obtain locally, and that his sales of these lines quickly fall off owing to his competition being met by local shopkeepers.

Selecting
Mail Order
Lines

The local shopkeeper has a considerable advantage in being in close touch with his customers who may be expected to advise him of the offers made to them by mail order traders, giving him an opportunity to meet their competition, if he can. Customers often take mail order catalogues to a local shopkeeper and ask him to obtain the goods that interest them, because they do not like to send their business out of the town, do not wish to go to the trouble of buying through the post, are reluctant to send money or orders to a firm they do not know, or wish to see the goods before they buy them. Sentiment, convenience or credit facilities may tie the customer to a local shop.

Profiteering by shopkeepers in country towns and villages, coupled with their conservatism in regard to new lines, has played into the hands of mail order traders to a very great extent, but such remarks from customers as "I am getting my Christmas presents from a London store this year as you have nothing new" or "I can buy these from a shop in Bond Street for 10s 6d, and you are charging 12s 11d" give the local shopkeeper an opportunity to obtain similar goods or adjust his prices and so retain or regain his customer. A local shopkeeper can study the mail order trader's catalogues, but the mail order trader cannot follow the local shopkeeper's counter moves.

The
Shopkeeper's
Advantage

It follows that a retailer who sets out to build up a mail order

business must be sure either that the goods he is offering cannot be obtained and sold at the same price by local shopkeepers or that he can continually offer his customers new lines such as novelties or fashion goods which are not yet obtainable by ordinary shops. Unless he makes sure of this there is danger of his losing money by going to the expense of securing customers who only place one order a sign either that they are dissatisfied with his service or that local retailers have met his competition.

Assuming that a retailer is sure of his merchandise and has ascertained the prices and terms on which he can offer it to mail

Organizing
Mail Order
Service

order customers his next step will be to organize his service. The above notes on the disadvantages of mail order service suggest four important points to

be taken care of in planning the organization and system.

1 The potential customers must be selected carefully and approached in the most direct manner possible in order to avoid waste in advertising and to economize on sales promotion costs.

2 It must be made as easy as possible for customers to send in their orders in view of their natural aversion to writing letters.

3 Special attention must be given to the execution of mail orders in order not to keep the customers waiting for the goods.

4 Wherever possible the personal touch—in the form of written salesmanship—should be introduced into the transactions in order to eliminate the restraint which is normally characteristic of dealings by post between strangers.

In a large organization it will be advisable to set up a special Mail Order Department to develop the postal shopping service

The
Mail Order
Department

solicit mail orders and supervise their execution; conduct the correspondence with customers and answer inquiries from potential customers. The staff of this department will probably consist of clerks

but the manager should be a capable sales promotion manager with broad vision and the ability to find potential customers to plan postal selling campaigns and turn prospects and inquiries into orders. It is a great mistake to place a clerk in charge of a mail order department even if the routine work has been systematized as mail order service needs the close supervision of someone with the selling instinct who can recognize and make the most of sales opportunities.

Finding potential customers is usually one of the mail order manager's most difficult tasks and it is in this respect in particular that sales initiative is necessary. There is also the need for close co-operation between the mail order department and the advertising department.

Finding
Potential
Customers

In Chapter IX it has been pointed out that the purpose of advertising in its various forms is to extend the area of influence of a business and also to intensify its local influence thus bringing the retailer's shop service and merchandise to the notice of everyone who can conveniently deal with him.

Press and direct mail publicity used for this purpose may bring the retailer a number of post orders or inquiries and these with orders and inquiries from removed customers will form the nucleus of the mail order connection.

The first step in the mail order campaign may therefore be to extend the area covered by the advertising programme placing advertisements in newspapers with a wider circulation than those previously used or in local newspapers circulating in neighbouring districts. The distribution of sales literature by post may also be extended by using directories for districts adjoining those already covered.

In making these extensions the retailer may announce the inauguration of the postal shopping service and afterwards incorporate in his advertisements some reference to this service e.g. Special attention is given to post orders or You may order by post with confidence. The terms upon which post orders will be executed may be mentioned in the advertisements e.g. by adding post free or postage 6d extra to the individual prices or making some such statement as All goods sent post free or Goods to the value of £1 and over are sent post free.

Advertising
Mail Order
Service

Some important retailers notably those in the fashion and furnishing trades do not consider it good policy to mention post orders in their advertisements because in their case they consider it much more satisfactory for the customer to come to the shop. These retailers find that it is hard for them to give satisfactory postal service owing to the difficulty of describing their full range of merchandise in their advertisements or doing justice to the goods. This may result in mail order customers buying goods which are

not exactly suited to their requirements, and consequently being dissatisfied

There is the further objection that mail order customers do not have the salesman's personal attention and advice and, therefore, may not spend nearly so much money as if they came to the shop. A customer who buys a 35 guinea bedroom suite by post might easily be sold a 50-guinea suite in the shop, and other articles might also be introduced to her.

Where
Postal
Shopping
is Not
Encouraged

In view of this, some retailers would far rather pay the customer's fare to the shop than deal with her through the post, and they actually make this offer in their advertisements. Other retailers qualify their offer of postal service by advising a personal visit, e.g. "You may order by post with confidence, but it is better to come and make your selection from our full range of models."

Retailers who have a monopoly of certain attractive lines, and also manufacturers who serve the public directly, may cover the whole country by advertising in the "national" daily newspapers, or in periodicals appealing particularly to the class of customer most likely to be interested in their goods. For example high-class milliners or dressmakers may advertise in the 'society' illustrated weeklies, retailers selling working-class clothing may use the working-class journals, wireless dealers may use the periodicals which cater specially for wireless enthusiasts, and sports goods dealers may use the sporting papers.

National
Press
Advertising

Mail order traders selling goods which appeal to certain types of business or professional men are fortunate in being able to obtain classified directories or lists of members of professional societies which are, from their point of view, lists of potential customers. These retailers can approach their potential customers directly, by sending sales literature through the post. It may cost more per head, in some cases, to approach potential customers by direct mail than by inserting advertisements in papers read by them, but the direct mail method enables a much more complete description of the goods to be given and more satisfactory illustrations, including photographs or reproductions in natural colours, to be used.

In view of the inadequacy of descriptions and illustrations in Press advertisements it may be unwise for a retailer using them

to attempt to obtain sales in *direct response* to those advertisements. As an alternative, he may give only a brief, but intriguing, description of his goods and invite the reader to write for full particulars, he may offer free advice on the subject in which he is a specialist, or he may confine his Press advertisement to an offer of a free booklet or catalogue, so that instead of asking the reader to purchase goods, he merely asks them to send for this publication. The retailer in such cases is playing a waiting game. As soon as he has the readers' names and addresses he can send them appropriate sales literature and follow this up with sales letters.

Inviting
Inquiries

The free booklet or catalogue must, of course, be attractively described in the advertisement, and must be worth having, otherwise the retailer will be creating ill-will instead of goodwill in inducing people to send for it.

Some of the publications offered free by mail order traders are very attractive and interesting, and contain little or no advertising. For example, a wireless dealer may offer calibration or construction charts, a motor accessories dealer may offer road maps or booklets containing suggestions for excursions, a draper may offer fashion books or patterns, a sports goods dealer may offer sports calendars, a seedsman may offer books of gardening hints, and a grocer may offer books of recipes.

Free
Booklets

It is important for the publications offered in such cases to be attractive *only* to the type or class of person who is a potential customer of the advertiser, otherwise the offer will appeal to worthless people who are after "something for nothing," and will lead to a waste of sales literature and postage. It does not always follow that a person who will take the trouble to send for a booklet or catalogue is willing to buy by post, although it is certainly a promising sign.

Retailers who have a wide range of merchandise suitable for mail order trading, especially those selling inexpensive lines for everyday use, such as food, clothing, shoes, household linens, ironmongery, and china, may consider that the offer of a catalogue or booklet would not be sufficiently attractive to their potential customers, or would not be a sufficient test of willingness to buy by post. They may prefer, therefore, to offer "bait" lines at prices which they

Offering
"Bait"
Lines

consider irresistible, in order to obtain the names and addresses of people willing to buy through the post, and to give these new customers a good first impression of 'value for money.' In some cases, these "bait" lines are offered at less than cost and the amount sacrificed in this way is looked upon as part of the advertisement. The new customers' names and addresses are placed on a "mailing list" to receive sales literature regularly through the post, and if they develop into regular customers for lines sold at a normal profit the retailer may be well rewarded for his initial outlay.

"Mailing lists" are dealt with in Chapter IX, and a suitable mailing list card is illustrated on page 189.

In using Press advertising to obtain mail orders, or the names and addresses of potential customers, it is vitally important to test the publicity value of the various periodicals used by tracing the results. A mail order trader should never take the publicity value, *for his purpose*, of a periodical for granted, or rely upon circulation or net sales figures or the opinions of other advertisers. It may be that the general tone of some periodicals is in keeping with his particular offer of service, while that of other periodicals is out of sympathy with it. Some periodicals give editorial support to their advertisers, inspire their readers with confidence in advertising, and "sell" them the idea of answering advertisements or buying by post, whereas others adopt an editorial aloofness towards advertising which prejudices the success of mail order advertisements. In these circumstances, practical tests may show the retailer that certain periodicals, which should, in theory, be the best for his purpose, are not nearly so effective as certain less promising ones.

Again some periodicals are read almost exclusively by regular readers, so that a regular advertiser is addressing the same people every time, whereas other periodicals have a constantly changing circulation, so that the advertiser is addressing a certain number of new readers in every issue. A short series of advertisements may suffice to bring a retailer selling specialities all the business to be had from a periodical with an unchanging circulation, but it may pay him to advertise regularly in a periodical which has a changing circulation, especially if the new readers are new enthusiasts for some pastime or creed and, therefore, the advertiser's best "prospects."

Testing
Advertising
Mediums

It is, therefore, necessary to keep a record of the number of replies received from each periodical used and to watch these "returns" continually. Customers cannot be relied upon to state the name of the periodical in which they saw the advertisement they are answering even if they are asked to do so. The retailer must devise some method of identifying the response with the advertisement.

Recording
Replies
from Adver-
tisements

When "bait" lines are being offered, the problem may be solved by offering a different line in each periodical or, if the same line must be used giving it a different description. In some cases the customers are asked to order the lines by numbers, and the numbers are different for each periodical. When a catalogue or booklet is being offered, this publication may be given a different name in each periodical, or the retailer's address may be slightly varied. For example, in the *Gazette* the term 'Department G' may be included in the address, and in the *Courier* the term "Department C" may be included.

Where space permits it is a good plan to insert a small reply "coupon" in the advertisement, so that the reader has only to fill in her name and address, cut out the coupon, and send it to the retailer in an unsealed envelope (and stamp). The use of such coupons in offering free publications, patterns, or samples increases the number of replies to an enormous extent, because it is so much easier to fill in a coupon than to write a letter. When coupons are provided in the advertisement, the name of the periodical may be mentioned on the coupon, or a "key" may be used e.g. "D M" for *Daily Mail*, or "D E" for *Daily Express*.

Reply
Coupons

The retailer may go farther into detail by numbering each advertisement, and adding this number to the key initial that gives the clue to the periodical. 'D M 4' on a coupon or a letter addressed to 'Department D M 4' would then identify a reply to the fourth advertisement in the *Daily Mail*. This additional reference enables a retailer to compare the "pulling power" of the various advertisements he uses.

The "Record of Replies from Advertising" on page 340 shows a convenient form in which the replies may be summarized and "credited" to the various advertisements. If this record is kept in card index form, with a separate card for each periodical used, it

RECORD OF REPLIES FROM ADVERTISING

(MAIL ORDER BUSINESS)

Publication	Brown & Weekly		Space Used		Quarter Page		Cost (Net)		£5	
Date of Advert	1st January		8th January		15th January		22nd January		29th January	5th February
Key	B1		B2		B3		B4		B5	B6
	Date	No	Date	No	Date	No	Date	No	Date	No
Replies received	Jan 2	23	Jan 9	19	Jan 16	22	Jan 23	15	Jan 30	12
	4	37	11	28	18	30	25	18	Feb 1	8
	5	15	12	12	19	17	26	13	2	14
	6	11	13	7	20	12	27	9	3	11
	7	5	14	9	21	1	28	6	4	10
	8	2	15	1	22	4	29	2	5	11
	9	3	16	1	23	1			6	1
	13	1	18	2	26				9	2
Total	97		79		87		63		54	
Average cost per reply	1s		1s 3d		1s 2d		1s 7d		1s 10d	
									2s 5d	

will be a simple matter to watch the results of the individual advertisements and to compare the returns from the various periodicals.

Experienced mail order traders set "targets" for their advertisements—so many replies for every £1 spent on the advertisement, or, from another point of view, so much per reply. If for example, the target is 2s per reply, the trader will stop using any advertisement which "pulls" less than 10 replies for every £1 it costs, and he will stop using any periodical which shows an average cost per reply of more than 2s. It may be advisable to vary the target for different periodicals, because the inquiries obtained from some periodicals may be much more serious than those from others, or the customers obtained from some periodicals may have much greater spending power than those from others. With this in mind, the mail order trader may follow up the inquiries to find out how many of them result in orders, and credit these orders to the particular advertisement, or find out how much has been spent by the customers and credit these amounts to the advertisement which introduced them. In simple cases, when orders are received in direct response to Press advertisements, the number and value of the orders can be entered on the Record of Replies from Advertising, and the average cost per order, the average value of each order, and the percentage of cost to value can all be worked out.

Similar methods may be adopted to trace the results of direct mail advertising and to test the effectiveness of different sales letters, or items of sales literature. For example, tests can be made of the "pulling power" of circular letters in comparison with folders of catalogues in comparison with broadsheets, of coloured illustrations in comparison with black and white, or of a series of "follow up" letters in comparison with one "first and final" offer. Other tests may be made with the object of finding out how frequently sales literature should be sent to regular customers, which day of the week is the best for dispatching circulars, or the relative merits of $\frac{1}{2}$ d (printed paper rate) postage as against 1½d (sealed letter rate) postage.

Only by practical tests can the mail order trader find out what

Record of
Replies from
Advertising

Testing
Direct Mail
Advertising

kind of sales literature and what method of distribution are best for his purpose, as results vary to an extraordinary extent between different trades and classes of business, and the question of comparative cost has always to be taken into account. For example, one trader may find that sending circulars sealed at letter rate instead of unsealed at printed paper rate makes no difference to the response and is therefore, a waste of money, whilst another trader may find that circulars sent at letter rate bring a very satisfactory response but that those sent at printed paper rate bring hardly any replies.

In all cases, however, the sales literature must convey a clear and simple message, and make a definite suggestion to the potential customer and it must be made as easy as possible for her to reply. If the offer is vague or indefinite, if conflicting alternative suggestions are made, or if the customer is left to frame her response unaided, the number of replies will inevitably be reduced, orders will be indefinite, and controversies and complaints may result. It is always worth while to enclose an addressed envelope for the reply and also a coupon or order form on which the customer can give her instructions.

An order form suitable for distribution with catalogues is illustrated on page 343. It will be noticed from this that the individual lines in the catalogue have been numbered, and the customer is asked to quote these numbers and the numbers of the catalogue pages as a precaution against her giving an insufficient description of the lines she requires. The order form could be made even more simple if this precaution were not taken but it is unwise to leave anything to chance. The retailer must avoid having to write to customers for further instructions as this causes delay and may annoy the customers. Letters asking for further instructions often bring no reply, or a cancellation of the order, and even if a satisfactory reply is received the customer may have decided that she will not buy by post again as it is too much trouble. Moreover the cost of correspondence adds greatly to the mail order trader's expenses.

In order to allay the suspicions of the cautious type of customer, many mail order traders give a guarantee of "satisfaction or money back" and word the order form accordingly, for example—

Making
Replies Easy

Order
Forms

"Satisfaction
or Money
Back."

Prominent retailers may scorn to offer such inducements, but they are absolutely necessary in the case of certain specialties, and some very successful businesses have been built up on "satisfaction or money back" or "free trial" terms

In selling articles costing more than a few shillings to working class customers it may be necessary to offer them the facility of

Instalment Selling payment by instalments, a popular form of "consumer credit" that is dealt with in Chapter XVI.

The following is a typical order form for instalment sales—

Please send me a Housewife's Encyclopædia I enclose 5s on account and agree to pay the balance of 30s in six monthly instalments of 5s, the first to be paid one month after receiving the Encyclopædia

In most retail establishments the incoming post is handled by a special 'Correspondence Department,' where trustworthy employees open all letters and scrutinize them before passing them to the appropriate departments for attention. The duties of a clerk in charge of incoming post, in a typical case are listed on page 26, and some of them have particular reference to mail orders. For example, recording the time of opening a letter containing an order is a safeguard against arguments as to the time the order was received; attaching the envelope to the order is important because the postmark shows the time at which it was posted, and may also be helpful in amplifying an obscure or insufficient address, and stamping the order with the amount of any remittance enclosed operates as a sanction for that amount in the case of cash-with-order transactions.

The mail order department is usually adjacent to the correspondence department, and takes over all orders and inquiries from customers, with their enclosures (excepting remittances, which go to the cashier's office). Immediately they reach the mail order department the orders and inquiries are recorded in a journal similar to that illustrated on page 345. This journal gives the information for the mailing list cards and for the record of replies from advertising. It also records (later) the dispatch of the goods or the answering of an inquiry and is, therefore, a check on delays in attending to customers' requirements.

Handling Incoming Post

Mail Order Journal.

MAIL ORDER JOURNAL

Date	Advt Key	Customer's Name and Address	Brief Particulars	Payment	Department Referred to	Date of Dispatch or Reply	Sales Check No or Remarks
Apr 14	SP 7	Holland Mrs 29 Bay Avenue Reading	Order for CH 97	C W O	China	14th	CH 1824
		Grant Mrs A New Park Farm Sutton		C O D			CH 1825
		Matthews John 341 Oaks Lane Frinton					CH 1826
	S 94	Wishers B 62 West Cottages Bodmin	Order for IR 42	C W O	Ironmongery	15th	IR 902
		Hall Mrs Mill Pool Farm Swanage					IR 903
		Kemp Cecil 42 Hurst Row Ryde					CH 1840 IR 904
	C 18	Harris Mrs K 321 The Leas Poole	Order for CH 97 IR 64 & IR 42	Acct	China Ironmongery		
		Billings Wm 41 Rectory Lane Studdeale					
		Williams R Wurtle House Dolgelly					
	—		Qy for lace matching	—	Lace	14th	Letter and patts
							Letter and C 18

In some department stores the mail order department acts as an independent selling department, carrying its own stocks of the advertised lines, making out the sales checks or delivery instructions and sending the goods to the dispatch department in accordance with the system generally employed in the store. This plan has its advantages where there is a very large volume of mail order business in goods which are simple and ready for dispatch, and it is advisable to relieve the salesmen of the work of executing mail orders. Incidentally it saves paying the salesmen commission on mail orders.

Executing
Mail Orders

In most cases however, the mail order department sends the customers orders to the sales departments for execution, where the salesmen deal with them in their odd moments or, preferably, special assistants are appointed to deal with them. With this plan, the sales checks or delivery instructions are made out and the goods are sent to the dispatch department in the same way as goods sold in the shop. After the goods have been dispatched the customer's order is returned to the mail order department marked with the word 'Dispatched,' the number of the sales check or delivery instructions and the date.

In dealing with the selling departments, the mail order department acts as a representative of the customers, watching their interests, and follows up all orders to see that they are executed within reasonable time. It investigates all complaints from customers or cases of delay (disclosed by a daily scrutiny of the mail order journal) and writes letters of apology or explanation to the customers.

Many retailers make it a rule for all mail orders to be acknowledged immediately. Customers appreciate an acknowledgment, especially people of a nervous or impatient type, and it bridges the period of waiting for the goods. It is an expensive courtesy, as printed post cards or forms sent by halfpenny post may be used for the purpose.

Acknowledging
Orders

The following wording is commonly used—

Dear Madam,

We have pleasure in acknowledging receipt of your esteemed order which shall have our immediate attention

Thanking you,

We remain,

Yours faithfully,

A combined acknowledgment of order and cash receipt form may be used for cash with order transactions

The mail order manager should write personal letters in acknowledgment of important orders where a form letter would not be suitable

Selling departments should be instructed to notify the mail order department immediately any advertised lines run out of stock stating whether further supplies will be available and if so how long it will take to obtain them In acknowledgment of an order for goods that are out of stock the mail order department will then be able to advise the customer that there will be an unavoidable delay of so many days in executing it and to apologize for any inconvenience caused If further supplies cannot be obtained the mail order department will have to notify the customer with regret that her order has come too late and suggest an alternative purchase This precaution is very important because a customer will have just cause to complain if an acknowledgment leads her to expect the goods immediately and she is afterwards disappointed

Lines
Oversold.

Where a large selection of lines is being offered to mail order customers for example in a department stores catalogue one order may cover goods from several departments This difficulty may be met by the mail order department preparing delivery instructions for the whole consignment on a form similar to that illustrated on page 281 and also preparing an extract of the order for each department concerned A numbered ticket from the Delivery Instructions form will then be pinned to each extract and it will be the duty of the salesman executing the order to attach this ticket to the goods The delivery instructions will be sent to the dispatch department direct from the mail order department and the forwarding clerks will assemble the goods and send them in one consignment Each departmental salesman will make out a sales check for the goods he supplies and should mark this Delivery Instructions No So-and-So using the number from the ticket before he sends it with the goods to the dispatch department

Combined
Orders

This system is similar to that used where rover employees are employed to escort customers round the departments in some stores a clerk from the mail order department

customer's order and delivery instructions round the various departments and buys the goods on her behalf. This saves extracts from the customer's orders being made.

Where the Assembly Card system described on page 290 is in use a variation of this may be used for mail orders covering several departments. The mail order department will then make out an Assembly Card instead of a Delivery Instructions form.

The mail order department must arrange terms of payment that are convenient to the customers and acceptable to the house.

Cash with order was at one time the general rule in mail order trading but since 1926 when the Post Office Cash on Delivery system was introduced 'Pay the postman on delivery' has become a mail order slogan and it is safer for a trader to ask for cash on delivery than for cash with order in soliciting business from new customers.

In better-class trade however it is advisable to give the customer the option of paying either C O D or cash with order because the Post Office will not take cheques in payment and if the amount to be collected exceeds £10 the Post Office does not deliver the parcel but sends the customer a note to say that the parcel is at the local post office and she has to call at the post office and collect it paying the money over the counter.

It may therefore be more convenient for the customer to send a cheque with her order. The sanctioning of C O D consignments and the question of accepting cheques from casual customers have been dealt with in Chapter XIII.

Where the counting house supervises the dispatch operations sales checks covering cash with order transactions must be sanctioned

before the goods are sent to the dispatch department. In practice a clerk in the correspondence department usually stamps the customer's order with an impression similar to that illustrated below inserts the amount of the customer's remittance in the space provided and adds his initials. If a cheque is sent in payment he may note this fact on the order.

Cash with
Order

<p>CASH RECEIVED</p> <p>£</p> <p>CORRESPONDENCE</p> <p>DEPT PER</p>

When the sales check has been made out the salesman sends it with the customer's order to the counting house and the sanction clerk checks the amount of the sales check with the amount acknowledged by the correspondence department sanctions the sales check

Cash with Order and returns it to the salesman with the customer's order He could if he wished verify the amount paid by reference to the Remittances Received Sheets in the cashier's office (see page 398) but this is only necessary in cases where there is a possibility of the correspondence department having made a mistake in recording the amount of the remittance Any cases of under remittance or remittance omitted should be taken up with the customer by the mail order department immediately the discrepancy is discovered

Sales checks covering mail orders from account customers will be sanctioned in the ordinary way

URGENT QUERY

From *Mail Order Department*

To *Mr Cole*

Date *3rd March 1931*

Wool Department

Time

9	10	11	12	1
2	3	4	5	6

Re *the attached letter*

Please *suggest a suitable line*

Replies

Rugmaker black cable wool cut in 3" lengths as sample 2s per lb

Time

9	10	11	12	1
2	3	4	5	6

Signature *B Cole*

Date *3rd March 1931*

In some trades, the mail order department will have to deal with mail order customers requests for further information about advertised goods, for patterns, samples, suggestions, or special quotations, or inquiries about lines not advertised. The mail order clerks may be able to answer the majority of these inquiries without assistance, but in some cases it will be necessary for the query to be referred to the buyer of the department concerned, or to a salesman with specialist knowledge of the subject.

Generally speaking it is inadvisable to allow buyers or salesmen to enter into correspondence with customers, as letter writing may be quite outside their province and they may have neither the time nor the facilities for it. In most large stores, the mail order department sends the customer's letter to the buyer or salesman with a 'Query' form (see page 349), upon which he can give the required information quickly and concisely. He returns the query form, with the customer's letter, to the mail order department, where the replies are dictated by a skilled sales correspondent.

In mail order trading an occasion to write a special letter to a customer should be recognized as a valuable opportunity to use written salesmanship and put a "personal touch" into the dealings. In the absence of this personal touch mail order transactions are apt to be formal. Printed offers, circular letters and stereotyped commercial forms give the customer the impression that she is receiving mechanical instead of personal attention, and the more efficient the postal service the more mechanical it will appear. Unfortunately for the mail order trader with a genius for systematizing, customers get tired of machine like efficiency, and prefer individual treatment, even if it has faults.

There are, however, many ways in which mail order customers may be shown that their individual custom is appreciated. Some traders make it a rule for a regular customer's name to be written on all catalogues sent her, e.g. 'Mrs. Brown's copy'. This can be done very quickly by the clerks who put the catalogues in the envelopes and is well worth while as it gives a surprising amount of satisfaction to some customers, and cannot give offence. In this connection it may be advisable to point out that clumsy attempts at introducing the "personal touch" may do more harm than good.

Colloquially worded letters for example, are dangerous where there are haughty customers

Other mail order traders give their regular customers a special "plum" occasionally, making an 'exclusive' offer to them by letter, e g

"Plum" Lines
for Regular
Customers

Dear Madam,

We have just purchased a small quantity of a rich chiffon velvet in three fashionable shades—patterns are attached

There is not sufficient to include the line in our catalogue so we have decided to offer it to a few of our regular customers at the special price of 7s 11d per yard

If you would like to have some of this kindly let us have your order by return of post An order form and envelope are enclosed

Thanking you in anticipation

We remain

Yours faithfully

If this kind of "customer petting" is to be done it should be done thoroughly The letters should be separately typed on good quality notepaper and signed personally by the manager, and no printed or duplicated matter of any kind should be enclosed, except the order forms and stamped and addressed envelopes Any patterns should be cut by hand and pinned to the letter by hand The offer should, of course, be sent sealed at full letter rate

It is the details that count in a case like this, and the results usually justify the trouble taken, as the "exclusive" offer serves two purposes, first, to increase the goodwill of regular customers and, second, to make immediate sales which may be important If the offer is really a 'plum', the percentage of sales to letters is usually very high, and many customers who do not purchase will write and thank the trader for giving them the opportunity

Another good idea is to go through the mailing list cards every few months, and write separately typed letters to customers who have ceased to buy An example of an appropriate letter is shown on page 352

Investigating
Closed
Accounts

Such letters should be signed by the manager personally and a stamped addressed envelope should be enclosed for the reply

The need for a mail order department to take special pains with regular customers cannot be too strongly emphasized Many retailers make the mistake of devoting all their sales promotion work

Dear Madam,

We notice that we have not been favoured with an order from you since January last and hope that you have not had occasion to be dissatisfied with our service

You had given us the pleasure of serving you for over five years and we are naturally anxious to retain your patronage

Will you kindly tell us in what way we have disappointed you? We are ready to make amends.

Thanking you in anticipation,

We remain,

Yours faithfully,

to obtaining new customers, and taking their regular customers' continued patronage for granted, a policy which is always foolish, and particularly so in the case of mail order customers

In this connection it is important to note that satisfied customers are splendid advertisements, if they can be induced to tell other people of their satisfaction. A personal recommendation is more effective publicity for a mail order trader than any press or direct mail advertisement, and most customers are pleased to recommend a reliable firm to their friends, although they may not think of doing so unless they are prompted. Some retailers occasionally send each of their regular customers *two* copies of a catalogue, asking her to pass one to a friend with her recommendation. Others ask their customers to send them the names and addresses of friends who may be interested in the postal service

Seeking
Recommendations

To offer a reward for the introduction of new customers might give offence or lead to controversies, but a trader may further enhance his goodwill by giving little unexpected presents to customers who help him in this way, and are likely to appreciate the spirit of the gift

The mail order manager will find plenty of scope for sales initiative in following up inquiries, quotations, and suggestions, and even in answering complaints. Follow up letters are too often of the "Why haven't you answered our letter?" type, more likely to cause offence than to promote sales

Follow Up
Letters

Instead of this, the customer's inquiry should be re-studied, in case the reply already given was unsatisfactory, and the selling points should be improved upon or re stated from a fresh angle

Great care must be taken in dealing with mail order complaints because it is often difficult for the customer to make herself understood in writing. Hence her letter may be more abusive than informative and amicable settlement will depend upon the manager's ability to visualize her difficulty and frame a wholly satisfactory reply. Even if the reply makes full reparation, the slightest hint of resentment or lack of sympathy may mean the loss of her custom, so that every word must be studied.

Complaints

The tendency to use printed forms or circular letters in replying to individual inquiries should be suppressed. It is by no means uncommon for a potential customer writing to a department store for information about a particular line to receive a catalogue with the manager's compliments, the suggestion being: "Here's our catalogue—find what you want for yourself." A skilled sales correspondent would cut out the appropriate description and send it to the customer with a personal letter following up with the catalogue.

Form
Letters

If the typists have been properly trained for sales correspondence they can answer simple questions on their own initiative and thus save the manager the trouble of dictating any but the most important letters. He may draft stock letters as a guide to the typists and supervise their work by signing all outgoing letters personally. In a big establishment each typist may be given a particular type of letter to deal with so that she becomes a specialist and has all the information she may require at her finger tips.

Dictation is a great waste of the executive's time and therefore a costly process to be avoided as much as possible and it is better to avoid it by developing initiative in the typists than by the employment of mechanical devices which save the typists' time but not that of the executives.

It is one of the minor problems of better-class mail order trading that customers who think their orders are receiving individual attention are apt to become less explicit in stating their requirements. The following are typical examples of orders received from friendly customers—

Recording
Customers
Purchases

Please send me a grass box for the lawn mower I bought from you

Please send another 100 cigarettes to my nephew he is still at the same address

Please send me 4 lb of tea you know the kind I like

Failure to interpret such orders would destroy the customer's confidence and, therefore in cases where this problem is encountered, it is necessary for a record of all mail order customers' purchases to be kept. The backs of the mailing list cards can be used for this purpose.

CHAPTER XVI

CREDIT GRANTING

CREDIT is yet another facility which may either be reserved for customers who ask for it or offered broadcast in order to promote sales. Although credit granting is a vitally important matter of policy, it is one in which the retailer rarely has a free hand. In the vast majority of cases the credit policy is dictated by the general trading or service policy—that is to say the retailer has to arrange terms of payment which will make it convenient for the class of customers he wishes to attract to pay for the service he wishes to give them.

Although cash trade has obvious advantages especially to the retailer with small capital its scope is very limited. In the case of quick trade in articles of small unit value sold to more or less casual customers cash is the most convenient form of payment for customer and trader alike, but if articles of substantial unit value are being sold, or regular customers are being catered for credit will be expected and insistence on cash will seriously restrict the sales turnover.

Limitations
of Cash
Trade

Credit is an important factor in competition between retailers and a weapon which a wealthy and experienced trader may use very effectively in competing with newcomers of limited means or with multiple shop branches giving an impersonal service and working on narrow margins which do not permit of credit being given. It must be understood however that credit is a dangerous weapon for novices to play with. Even the granting of credit to regular customers who are known to be worthy of it has its difficulties, but offering credit broadcast as a sales promotion policy is a matter for experts.

The advantages of credit *when properly used* are many. It establishes a more intimate relationship between retailer and customer and shows the customer that she is trusted as an individual and not merely looked upon as one of a crowd. It makes it more convenient for the customer

Scope for
Credit

to buy with the result that she buys more often and more freely and it ties her to the shop making her less likely to transfer her custom as the result of some slight dissatisfaction or the coming of new competition and less likely to make individual purchases elsewhere in order to gain minor advantages of selection price or service. In many cases credit is the most convenient form of trading from the retailer's point of view and sometimes it is difficult to suggest a suitable alternative for example where such necessities as milk and bread are delivered to customers daily by a roundsman or where business is transacted over the telephone.

In the case of hire-purchase and instalment trading credit makes the retailer's merchandise available to customers who could not pay cash or in other words it makes the retailer's offer of service attractive to customers who would not otherwise be interested in it. For example a piano offered at £40 even if worth very much more will be attractive to only a very small number of people but a piano offered at £1 a month becomes attractive to the masses. It is estimated that the proportion of hire-purchase to cash trade in pianos is 4 to 1 taking all classes of customers into account and in some working-class districts cash sales of pianos sewing machines heavy furniture and other articles with a high unit value are rare.

Briefly therefore the advantages of credit are that it may be used to secure new customers and to turn casual customers into regular customers. Its value to an individual trader depends upon the use to which he can put it and the extent to which it will assist him in making his shop and service attractive to the customers he wishes to cater for.

Against such advantages as credit may offer to a retailer he must consider the disadvantages of credit granting so far as they apply to his particular case. These disadvantages may be summarized as follows. First that it ties up the retailer's capital in book debts second that it exposes him to the risk of loss through bad debts third that it causes a considerable amount of clerical work and fourth that it may involve him in controversies with customers.

Where long credit is being given the amount of capital tied up in book debts may be very considerable for example if a retailer

has a credit sales turnover of £800 a week and his customers take an average of *three months to pay*, he will have over £10,000 tied up in book debts. The expression "tied up" is appropriate, in view of the fact that the money cannot be collected quickly to meet an emergency. Selling book debts is out of the question for a retailer continuing in business, it is difficult to borrow money on them, and any attempt to shorten the period of credit granted to customers or to press for an earlier settlement than usual is likely to cause offence and result in the loss of account customers. Before a retailer offers credit to his customers therefore, he should study their habits as regards the payment of accounts, in order to estimate the average period of credit he will have to allow and the amount of capital likely to be absorbed in book debts.

Capital
Tied Up

In many cases retailers rely upon receiving sufficient credit from their suppliers to cover the credit which they themselves have to give to their customers, but this is dangerous. Some suppliers themselves use credit as a sales promotion factor, and are willing to give special credit facilities to the retailer who has to give long credit, but suppliers of well known proprietary articles, which the retailer *must have*, usually give little or no credit. A retailer serving better-class customers with proprietary articles may, therefore, find it difficult "to make both ends meet". Customers who expect from three to six months' credit will insist upon having proprietary articles for which the retailer has to pay prompt cash, and his own capital may be quite inadequate to finance the transactions.

Using
Suppliers'
Capital

It is easy to understand how this position leads many retailers into serious difficulties. The retailer with insufficient working capital cannot pay prompt cash for his supplies of leading proprietary articles and also pay the monthly accounts of the suppliers who give him credit, so that he is tempted to abuse the confidence of the more lenient suppliers by withholding payment of their accounts. After a time, however, the long-suffering suppliers will turn upon him and enforce payment, and he will then have no money for the purchase of leading proprietary articles, which will result in the loss of business. The demands of his trade creditors may leave him no money to pay his rent and rates and thus force him to close his shop. A very large proportion of bankruptcies amongst retailers

is attributed to shortage of working capital due to unwise participation in credit trade

Traders with a well established business and a good reputation in their trade may be able to finance their own credit systems with other people's money but this usually means the payment of heavy interest charges the loss of cash discounts and inability to buy in the right market or pick up attractive bargains all of which means loss of profits The state of a retailer's finances should therefore be a determining factor in his consideration of the extent to which he can offer credit to his customers

The risk of bad debts is inseparable from credit granting but it can be minimized by exercising caution in sanctioning credit

Risk of Bad Debts

transactions and paying close attention to the collection of accounts Bad debts may be divided into two categories those due to circumstances existing at the time the debt was incurred and those due to circumstances arising afterwards The vast majority of the bad debts incurred by retailers belong to the first category and are bad from the start because credit should never have been granted The trouble with many retailers is that they are far too ready to give applicants for credit the benefit of the doubt Some of them make no attempt to judge the merits of individual cases or to make inquiries about prospective account customers while others persistently take chances with customers they know to be of doubtful stability or integrity The fear of losing sales often overrules a retailer's better judgment but this is inexcusable it is far better to lose a sale than throw away goods on worthless customers

With some classes of credit e.g. weekly accounts for necessities delivered daily to householders the risk of loss may not be sufficient to justify the retailer going to the trouble and expense of making inquiries or taking up references but with other classes of business e.g. instalment or hire purchase trading the risk of loss may be so great that the retailer has to investigate every application and be prepared to turn down every case in which there is an element of doubt Some instalment traders supplying clothing to the working classes only pick the most satisfactory of the proposals made to them by prospective customers and turn down more than half of the business offered to them

Generally speaking the retailer who is cautious in granting credit

attracts the class of customer who is cautious in committing himself, and the retailer who takes risks attracts the class of customer who takes risks in committing himself. A retailer soon earns a name for slackness in credit granting and there are plenty of "twisters" waiting to take advantage of him. Unsatisfactory customers are not, of course, confined to the working classes, and the educated 'twister,' who will not limit his commitments to his means and knows just how far he dare go in imposing on a retailer, is by far the most dangerous customer.

Dangers of
Leniency

In the case of bad debts due to circumstances arising after credit has been granted the lenient creditor always suffers most. The customer who is hit by unemployment or financial losses may take all the credit he can get, and naturally pays the pressing creditor in preference to the one who shows leniency or slackness in his collections. Bankruptcy statements often show small traders suffering the loss of large sums, representing a considerable proportion of the business they have done with the debtor, whereas larger and more experienced traders, who have enjoyed the lion's share of the debtor's business, escape with very small losses. Some retailers appear as large creditors in almost every local bankruptcy, an unenviable position which can hardly be ascribed to bad luck.

The trouble and expense of clerical work in connection with credit accounts cannot be avoided. The cost of making inquiries, taking up references, subscribing to trade protection associations, book keeping, sending invoices and statements, writing collection letters, collecting accounts, and suing debtors who will not pay, must all be provided for, and the experienced trader who exercises discrimination in granting credit and follows up his accounts systematically may spend far more than the slap-dash trader who trusts all comers to pay when they can.

Clerical
Expenses

These expenses must, however, be considered in conjunction with the loss through bad debts, and may be minimized by adopting simple and efficient methods. Furthermore, the retailer who spends a few shillings on making inquiries about each new customer may save pounds which would otherwise have to be spent in employing solicitors and collection agencies to collect overdue accounts.

The risk of controversies with customers must always be reckoned with in credit granting especially with hire purchase or instalment business but here again the retailer who shows slack-

Controversies with Customers ness in his methods suffers far more than the one who is discriminating and systematic

If there is a proper understanding between retailer and customer as to the amount of credit which will be allowed, the way in which orders are to be given and the time when payments are to be made there is little room for controversy, but if the customer is given the impression that she can have whatever she likes on credit and pay when she feels disposed to do so, controversies are bound to arise It is usually quite a simple matter to limit credit at the time an account is opened and to arrange conditions regarding ordering and payment but it is very difficult to restrict credit after a customer has enjoyed freedom

Most controversies regarding accounts arise directly or indirectly from the customer having committed herself beyond her means, a position that is avoided by the retailer who exercises discrimination in credit granting Other sources of annoyance to customers are the careless preparation of statements and inconsistency in regard to collections and complaints under these headings may be avoided by efficient methods

Reviewing these disadvantages in comparison with the advantages of credit granting a retailer has to consider whether he can devise a credit system which will give his customers the credit facilities they require without embarrassing himself financially incurring bad debts or expenses out of proportion to the volume of business, or risking controversies with customers

Planning
the Credit
System

He must be satisfied that his margin of profit is sufficient to cover the interest charges losses and expenses likely to be incurred, or that his prices can be adjusted to provide for these items In hire-purchase or instalment trading the proportion of expense to sales will be considerable and, if the retailer also has a volume of cash business, it will be necessary for him to have two sets of prices, one for cash customers and the other for customers who pay "out of income" In practice he may either fix his prices on a cash basis and charge his long credit customers "interest" to cover the expenses of giving them the facilities they require, or he may fix

his prices on a long-credit basis and grant a discount to cash customers. The choice depends upon the proportion of cash transactions to long-credit transactions, in other words, the prices should be fixed to suit the larger number of customers and be adjusted for the minority.

In putting a credit policy into practice, the first essential is to fix the conditions and the terms of payment, as a basis for the arrangements made with individual customers. The sanction clerks, or other employees responsible for granting credit, must have definite instructions on this matter. They will be applying the system to individual cases and incidentally investing the retailer's capital in book debts, so that there must be no room for misunderstanding or for the exercising of personal prejudices or favouritism by the employees sanctioning credit. The sanction clerks must know, first, who is to have credit, second, what safeguards—in the form of inquiries or the taking up of references—are to be used, and, third, what limits are to be placed on the amount of credit allowed to individual customers.

Fixing Terms
and
Conditions.

There is the further point that the terms and conditions of credit acceptable to the retailer must be generally known and understood by his salesmen and all other employees who come in contact with customers. If the retailer is unable or unwilling to grant credit, the salesmen should be trained to ask for cash, and to "sell" customers the idea of paying cash, but if he wishes to open accounts for certain classes of customer, the salesmen should be trained to suggest a credit account to these customers and "sell" them the idea of having an account, in which case the salesmen must be able to make the terms of payment clear to the customers, preventing disappointments and controversies.

In some cases it may be necessary for the retailer to make his policy in regard to credit known to the public at large, for example, if he is specializing in hire purchase or instalment business, he may have to "sell" the idea of paying "out of income" to potential customers. Most hire-purchase traders find it necessary to describe their systems in detail in their advertisements, giving specimen transactions showing how the amount to be paid is divided into instalments, and assurances with reference to the protection afforded to customers in the event

Advertising
Credit.

of the goods being destroyed by fire, or the customer's death or inability to pay

It is a common trait in human nature that people do not value anything they come by easily and in many classes of credit trading it is considered advisable to make the customers formally apply for credit. In practice, they are asked to fill up a form giving particulars which will be a guide to the sanction clerks in considering their applications. A form for use in the case of ordinary monthly accounts is illustrated below

APPLICATION FOR A MONTHLY ACCOUNT

To CLARK'S STORES SOUTHPOOL

Please open a credit account in my name. I agree to pay promptly upon receipt of first monthly statement and submit the following particulars in confidence

Full Name *Mary Cox*

If a lady please say whether single married or widow *Single*

Address *Willow Cottage Old Road Southpool*

Please say how long you have resided at this address *7 years*

If a new address please give your previous one

Occupation *School teacher*

References *Mr Charles Price Manager*
Southern Bank Southpool
Mr W H Jones Headmaster
County School Southpool

Date *22nd April 1931*

Signature *M Cox*

The object of obtaining the customer's full name is to facilitate legal proceedings, if these should ever become necessary. Ladies

are asked to say whether they are single or married, because there are certain legal difficulties in regard to contracts made by married women. In most cases, the retailer has to look to the husband for payment, but the husband may be able to escape responsibility by contending that the goods were unnecessary to his wife or household, that she was sufficiently provided for without them that she had been forbidden to pledge his credit, or that she was not living with him. It is, therefore, usual to ask the husband to sign the application for credit. Spinsters, widows and married women who are known to have private means will, of course, be judged on their merits.

The question as to the length of time the customer has resided at the address she gives is important because in many cases sanction clerks are authorized to grant credit on the "strength" of long residence as *householder* at a good address. It is a simple matter to verify the customer's statement by reference to the local directories, going back several years. If the customer admits that her address is a new one she is asked to give her previous one, and the sanction clerk finds out from the directories how long she resided there. It is prudent to restrict credit to householders, in view of the fact that persons living in apartments, hotels, or lodgings can move so quickly and are difficult to trace when they choose to move without leaving an address. When persons who are not householders including junior members of the householder's family apply for credit it is advisable to ask for payment to be guaranteed by a person of means who is a householder.

Residence
Qualification.

The customer's occupation is some guide to his means or income, and the sanction clerk will have in mind a number of precarious occupations which would make a customer of doubtful stability. Such vague descriptions as "clerk" or "salesman" should not be encouraged, as they may cover, for example, bookmakers' clerks or house-to-house canvassers.

Where the customers' purchases are likely to be of considerable amount, they are usually asked to give references. A banker's reference may be sufficient, but some retailers would also ask for the name and address of a tradesman. References with whom the customer has had a credit account. Bankers' replies to inquiries are vague and sometimes evasive, and

a retailer can generally obtain a much more frank statement from a fellow trader, finding out not only whether the customer pays her accounts, but whether she pays promptly

If personal references are tendered, the sanction clerk should ask the relationship or connection between the customer and the person referred to, as, unless the connection is a business one of some kind, the reference is unlikely to be of value. Even personal references are better than none, however, provided they are to people of standing, as a customer is not likely to abuse credit if she has obtained it with the assistance of people whose confidence she esteems

In sanctioning credit accounts, as in many other functions of business, it is a sound principle to 'beware of the abnormal'. Any unusual statement or behaviour by an applicant for credit should be noted carefully and made the subject of special inquiry. It must be considered abnormal for an applicant for credit to refuse to give reasonable information or to attempt to browbeat the retailer's representatives into giving her credit. Even if the applicant is a person of means, such behaviour is a warning that she looks upon credit as a right instead of a privilege and is, therefore, likely to abuse it.

Doubtful
Cases

Where customers are made to apply for credit they must be expected to satisfy the sanction clerks regarding their stability and good faith. The sanction clerks have certain instructions in regard to the qualifications a credit customer must have, the evidence they may accept, and the information or formalities they may dispense with. If they are not satisfied with a customer's statements or behaviour it is their duty to withhold credit although they may be authorized to make inquiries about an applicant, or to consult a superior in cases of doubt.

Some retailers consider that the practice of making customers formally apply for credit is too officious for their class of business.

Inquiries They prefer merely to take the name and address of the customer and to make discreet inquiries about her, i.e. to find out what they want to know by indirect means instead of asking the customer.

The "indirect means" employed include reference to directories to find out whether the customer is a householder and, if so, how long she has been at the address, looking for the customer's name in "black lists" issued by trade protection societies, searching for

The "indirect means" employed include reference to directories to find out whether the customer is a householder and, if so, how long she has been at the address, looking for the customer's name in "black lists" issued by trade protection societies, searching for

registered information (bills of sale receiving orders indictments etc) against the customer obtaining status reports from credit advisory agents referring to local traders or correspondents likely to know the customer and sending representatives to have a look at the house the customer occupies and get gossip from neighbours

Such methods may bring the retailer information detrimental to the customer which she could not be expected to disclose in making formal application for credit and they are therefore commonly used where the amounts involved are large in proportion to the customer's means. Hire purchase or instalment traders often make inquiries *in addition* to getting the customer to fill up a proposal form containing very searching questions

There is a suggestion of underhand dealing in pretending to trust the customer and then making back door inquiries and the methods of local inquiry agents may be objectionable and involve the trader in controversies with his customers. Furthermore their information may be unreliable as it is sometimes obtained from friends of the customers or even from the customers themselves

Back Door
Methods

Other objections are the cost of such inquiries and the time they take. Several days may elapse before the retailer obtains his reports on the customer during which time she is waiting for service under the impression that the retailer has already decided to give her credit and it is a delicate matter for a retailer who has accepted an order to tell the customer subsequently that she can not have credit

Generally speaking therefore it is much more satisfactory for the retailer to ask the customer for the necessary information and to limit his inquiries to persons suggested by the customer and to information available in the retailer's office or in the files of trade protection societies to which he subscribes

In taking up bankers or other references or consulting trade protection societies the retailer should ask definite questions and give some idea of the type of service to be given to the customer and the amount involved. Vague questions usually bring vague replies and a customer who may be good for £5 may not be good for £50 or for £5 a month over a long period

Taking Up
References

The following is an example of a letter of inquiry used by experienced retailers—

Dear Sir

Miss Mary Cox of Willow Cottage Old Road Southpool has asked us to open a credit account for groceries and has given us your name as a reference

Will you kindly let us know whether you consider her worthy of credit amounting to say £2 per week and whether you know of any reason why credit should not be granted?

A stamped addressed envelope is enclosed and your reply will be treated as confidential

Thanking you in anticipation

We are

Yours faithfully

In some cases a printed form is provided for the reply eliciting answers which can be used to check the information volunteered by the customer. Verbal replies are likely to be more frank than written ones and in view of this the retailer may send a representative to see the person referred to or telephone for the information required.

Where a customer has not the necessary qualifications for credit and is unable to obtain the guarantee of a responsible third party, she may be asked to deposit with the retailer a sum **Deposits** sufficient to cover her purchases for the period of credit desired. In these circumstances the retailer does not actually give the customer credit but she is saved the inconvenience of paying cash at the time of purchase. Some retailers pay interest on such deposits.

In nearly all cases it is necessary for the retailer to limit the amount of credit to be given to each customer. Some of his customers may only be "good" for a very limited sum **Credit Limits** and the amount of their accounts must be kept within that limit. Others may be good for very much more than they are likely to owe the retailer at any time and yet have to be restricted in order to avoid tying up large sums of money in individual accounts. Generally speaking the larger the number of customers over which the retailer's total credit is spread the greater the sales promotion value of the credit and the lower the risk of heavy loss through bad debts.

SALES LEDGER ACCOUNT

SPECIAL FORM TO FACILITATE THE OPERATION OF
CREDIT LIMITS

Name	James Holland	Account No	H 72
Address	62 Marshy Lane Stowcroft	Credit Limit	£30

Date	Particulars	Folio	Debit			Credit			Balance		
1931			£	s	d	£	s	d	£	s	d
Mar 2	Goods	68	3	3					3	3	
19		94	17	2	6				20	5	6
Apr 16		130	2	18	4				23	3	10
18	Cash	C42				20	6	6	2	18	4
30	Goods	142	8	8					11	6	4
May 12		151	6	10					16	16	4
23	Cash	C89				11	6	4	5	10	
29	Goods	170	14	18	2				20	8	2

CREDIT INDEX CARD

COX Miss Mary

Limit £10

Willow Cottage

Old Road

Account opened 22nd April 1931

Southpool

Residence 7 years

Occupation School teacher

References—

Southern Bank Southpool—

Small account good for your figures (£2 a week)

Headmaster County School Southpool—

Very trustworthy Quite safe for the amount you suggest

If the sanction clerks have their own credit index, they must be advised of all circumstances which may influence their decisions, for example, of a customer exceeding her credit limit or allowing her account to become overdue. It should be the duty of the ledger clerks to notify the sanction clerks of such circumstances, so that the credit index cards can be marked with a "stop" or "caution" sign, as the case may require. Sometimes cards of a special colour (say red) are used for customers who must be refused further credit and another colour (say yellow) is used for "doubtful" customers. As an alternative, coloured metal tabs with the same meaning may be fixed to the cards. The credit index should not only cover good customers but also bad ones, i.e. all persons who have been found unworthy of credit should be included—on specially coloured or marked cards. This will prevent unsatisfactory accounts being reopened.

"Flagging"
Overdue
Accounts

It is vitally important for the sanction clerks to be of proved ability and strength of character, and for their decisions to be upheld by the management. There is no sense in employing a sanction clerk who may be coerced or cajoled by departmental managers or salesmen into acting against his better judgment, but this situation often exists in businesses in which the sales promotion executives are dominant.

Sanction
Clerk's
Authority

Salesmen may be given the right to appeal to the management against a decision which loses them a sale, but they should not be allowed to argue with the sanction clerks, and in all cases of difference of opinion the management should find out whether the salesman did all he could to provide the sanction clerks with the information they required. Such differences of opinion are a clue to the conscientiousness of the salesmen as well as to the efficiency of the sanction clerks. The salesmen must be trained to appreciate the importance of caution in granting credit and the sanction clerks must be trained to appreciate the importance of sales promotion.

The prompt collection of accounts does much to minimize the disadvantages of credit granting. It reduces the amount tied up in book debts, the risk of bad debts, the expenses of book keeping and collection, and also the possibility of controversy with customers. "Short accounts make long friends."

Collection
of Accounts.

The majority of customers do not like their accounts to mount up or to remain long outstanding. They may delay settlement through finding it inconvenient or "too much trouble" to send a remittance, but not as a matter of principle. The minority, who object "on principle" to being asked to pay promptly, must not be excused on that account. The probability is that as the purchase fades in their memory or the account mounts up, their dislike of paying will become more and more intense, and they will ultimately have to be forced to pay. With all classes of customers, therefore, it is important to have the terms of payment clearly understood and to make it as easy as possible for customers to pay.

A great deal depends upon the invoices and statements being sent out promptly as any slackness in regard to this may give customers the idea that the retailer is in no hurry for his money. He cannot expect his customers to attach importance to his statements if he does not appear to attach importance to them. In some cases it is advisable for the terms of payment to appear on all invoices and statements sent to account customers. The following are examples of footnotes used for this purpose—

Kindly note that we can only allow credit to customers who pay promptly on receipt of first statement.

Statements are rendered on the first of each month and are due for payment forthwith. Customers will oblige by remitting promptly.

Retailers must always remember that few, if any, of their customers are business people and the purpose of a statement is not always understood. Some retailers catering for a haughty type of customer, *dare not* make their statements appear to be applications for payment, but in ordinary trading this is the purpose of the statement, and it is helpful to make the fact clear, for example, by the use of a footnote such as "Payment of the above account is now due." The retailer should not hesitate to use different kinds of statements for different types of customer or to vary the time or method of sending accounts to suit individual customers. He may find, by experiment, that certain days of the week, or certain days of the month are by far the most effective for the sending of statements or collection letters.

STATEMENT

30th April 1931

Please detach this sheet and enclose it with your remittance

John Pike Esq

Dr to

CLARK'S STORES SOUTHPOOL

John Pike Esq
TopsideValley Road
Southpool

Date	Particulars	Amount			
		£	s	d	
1931 Mar 31	To Account Rendered*	9	13	6	
Apr 11	Goods	3	2	-	
25		1	7	6	
		£14	8		

* Kindly note—
Payment of this item is now
overdue

To Clark's Stores Southpool

I enclose for £
settlement of your account toDate as
Postmark

P 231

It has already been pointed out that the customer's delay in paying accounts is often due to it being "too much trouble." This being the case, it is far better for the collection clerks to use their ingenuity in making it easy for the customer to pay than in trying to frighten her into paying. One very effective plan is to have a special statement form for overdue accounts, with a detachable portion which the customer can return with her remittance. A form of this kind is illustrated on page 371. Addressed envelopes for the remittances may also be sent out with the statements of overdue accounts and in some cases, it may be worth while to stamp them.

The common practice of sticking "reminder" labels, printed with messages in varying degrees of politeness, on statements, is not recommended. Such messages are personal enough to give offence to customers who have merely overlooked the account, but not personal enough to influence customers who are purposely withholding payment.

Tactless collection methods frequently lead to the loss of good customers, and it is exceedingly difficult to make rules, for the treatment of overdue accounts, that will meet even the majority of cases. The average ledger clerk is unable to deal discriminately with collections because the figures before him convey so little.

An overdue account may be due to any one of a number of circumstances. The customer may be ill or away from home, she may be unable to pay at the moment, she may be too lazy to send her remittance, or be indifferent to her responsibilities, she may be withholding payment out of pique with the retailer, or with tradesmen in general, she may have forgotten the purchase and be waiting for an opportunity to make inquiries about it, she may not have received the goods, she may be dissatisfied with the goods, she may have returned the goods without obtaining credit for them, or she may be under the impression that the account has already been paid.

The possibility of clerical error must also be considered. The goods may have been charged to the wrong customer, the amount charged may be incorrect, the customer may have paid cash for the goods or sent a remittance which has been credited to some other customer's account.

In view of all this it is necessary for the collection of overdue accounts to be in the hands of a skilled collector who can treat each case individually find out the reason for non payment and act accordingly He will tread warily at first in case his firm is at fault and will not begin to press for payment until he has given the customer an opportunity to point out any mistake that has been made

Need for
Tact and
Discretion.

The telephone is a very valuable debt collecting medium in the hands of a skilled collector as it is possible to get the customer's story in a friendly manner We notice our January account has not been paid madam Is there any further information we can give you? Telephone applications are much more effective than written ones with customers who withhold payment out of laziness or perverseness as they have to make some sort of excuse whereas they may take pleasure in ignoring letters

If the customer cannot be reached by telephone the collector can use personal letters specially typed the first one being designed to draw any good reason the customer may have for not paying The following series of letters working up from the inquiring to the imperative illustrate the methods employed

Collection
Letters

1 *Dear Madam*

We notice that our account for the goods we had the pleasure of supplying to you in January has not yet been paid

Is there any further information you would like to have? We should much appreciate hearing from you in regard to this

Thanking you in anticipation

We remain

Yours faithfully

2 *Dear Madam*

We have not yet received payment for the goods we had the pleasure of supplying to you in January last

May we remind you that our terms are payment on receipt of the first monthly statement

Thanking you in anticipation of an early remittance

We remain

Yours faithfully

3 *Dear Madam*

Kindly let us have an early remittance in settlement of our account which is now very much overdue (the goods were supplied in January)

Our prices are fixed on a cash basis and we are unable to give long credit

Thanking you in anticipation

We remain

Yours faithfully

Dear Madam

We have made six applications for payment of our account for goods supplied in January without receiving a reply

We cannot allow this account to remain outstanding any longer and must demand payment within SEVEN DAYS

Awaiting your remittance

We remain

Yours faithfully

Dear Madam

Unless we receive payment of the sum of £8 8s in settlement of our account by MONDAY MORNING we shall then issue a writ against you in the local County Court

We regret that you have made it necessary for us to take this most unpleasant step but the account is in respect of goods supplied in January and we are now compelled to enforce payment

Yours faithfully

A skilled collection clerk will use his repertoire of collection letters with discrimination varying them to meet the individual cases and taking into account his past experience of the particular customers and all the information he is able to obtain about them from the salesmen and sanction clerks and from outside sources. In the case of local customers a representative should call to make personal application for payment before any letter of an unfriendly nature is sent as the customer may still have some valid reason for non payment but be unwilling to disclose it in correspondence.

Individual
Treatment

Collection letters will be much more effective if they are signed by a principal or an executive with an imposing title as this suggests that importance is attached to the matter. Another hint is *not*

to send them with the statements but a day or two afterwards, showing the customer that the letters are not merely sent as a matter of routine. It is usually a waste of time to send printed forms or circular letters to troublesome customers, they must be given the impression that their account has been *marked for collection*, not merely listed as overdue, and that it is receiving the attention of someone in authority who will be in a position to enforce payment.

Credit should be stopped immediately a customer is found to be undesirable, as willingness to continue supplies may be taken as a sign of weakness or an indication that the collection letters are merely bluff. There is a point in the collection of overdue accounts at which friendly appeals must give place to sterner measures, and the correct timing of this change of attitude is a way in which the expert collector shows his skill. So long as a customer's continued patronage is desirable, having regard to her behaviour in the matter of payment, she should not be annoyed by unfriendly letters or refusals of service, but immediately she proves to be an undesirable customer, her credit should be stopped and a writ should be issued for the amount due, after reasonably short notice.

Stopping
Credit

A County Court writ is the only communication that will obtain payment from some debtors, and as it is a simple and economical method (the debtor has to pay the costs) the retailer should not hesitate to use it in dealing with the debtors who obviously do not intend to pay until they are forced.

CHAPTER XVII

BRANCH CONTROL

THE growth of multiple shops has been one of the outstanding features of retail trading in recent years and there are signs that the multiple shop has come to conquer as well as to stay. There are dozens of public companies operating chains of branches spread all over the country several of them controlling over a thousand shops each while every populous district has its local chains including the privately owned two-shop or three shop businesses which may be the nucleuses of some great chain of the future. In some shopping centres every shop is a branch of a multiple shop company and as new residential districts are developed it is the multiples who step in and take the best shop sites.

The success of the multiple shop is due to the fact that it is simply retailing on orthodox lines with important economic advantages. The multiple shop companies do not ask people to change their shopping methods or habits. They go to the customer establishing their shops in the most convenient local centres and their salesmen are at hand to call on customers as often as desired. The only difference the average customer notices between the ordinary shop and the multiple branch is that the multiple branch is usually more attractive in appearance better equipped and more efficient in service.

This orthodoxy is a much more important matter than it may at first appear. The difficulty which the mail order trader has in getting people to buy through the post has been explained in Chapter XV and it should be understood that similar difficulties will be experienced by any retailer who tries to make the public change its ways or to depart from orthodox methods.

The great department store however attractive it may be as a show place and however comprehensive its service may be is not on such sound lines as the multiple shop because the department store owing to its size has to draw customers from a comparatively wide area. It cannot be in the most convenient position

for all its thousands of customers they must be induced to make the journey to the store. Sensational and original forms of merchandise or service must be offered as an inducement and this element of sensation tends to make the business transient and the customers casual.

Multiple Shop
v
Department
Store

While the department stores at great expense are securing occasional visits from suburban residents the multiple shops are quietly and regularly serving these customers with their daily needs, thus performing the main function of retailing and getting a greater and more steady volume of business at a lower cost.

The advantages which the multiple shop organization (large or small) has over single shops may be summarized as follows—

Power The purchasing and bargaining powers of all the shops are centred in one organization and may be combined for the purpose of obtaining quantity discounts, exclusive selling rights and special concessions, marketing lines under the firm's own name or brands and in some trades buying job lots and manufacturers' remainders which would be too big for a single shop to take.

Advantages
of
Multiple
Trading

Efficiency The knowledge and experience of all the principals and employees are pooled and standard policies and practices of proved success are adopted for all the shops. The employment of skilled specialists for such functions as organization, advertising, displays, staff training, finance, accounting, premises selection, equipment and maintenance, and dispatch and transport operation, is facilitated.

Economy The drawings of the principals and the administrative salaries and expenses are spread over a number of shops, making the burden on each branch lighter than that which the average single shop has to bear. If desirable, this saving may be used for sales promotion purposes either by reducing the margin of gross profit, and thus making the prices more attractive to the customers, or by spending more money on advertising, display and salesmanship.

Security The capital and goodwill are spread over a number of shops and a number of shopping centres, a valuable protection against failure through loss of premises or decline in the popularity of a shopping centre. The multiple shop concern does not have 'all its eggs in one basket,' and can follow the trend of business by

opening new branches in new centres and closing branches which cease to be profitable

Publicity The name and shops become familiar to the public and the standardization of service inspires confidence so that all the branches advertise one another. A satisfied customer of one branch is a friend to them all dealing with them when in the neighbourhood and recommending them to her acquaintances.

These advantages are just as attractive if not more so to the retailer who opens his first branch i.e. his second shop as they are to the multiple shop company which opens its hundredth branch. If he has the necessary capital and has found a suitable site the opening of a second shop will bring the retailer a new body of potential customers and a new volume of sales and increase his importance and status in the trade. It will give him greater scope for exercising his buying, selling or administrative ability and free him from the limitations imposed by restriction to one shop and one district.

Branches for
the Small
Retailer

He will have the benefit of his experience with his first shop and be able to avoid the mistakes which everyone makes in starting in business. The advantages and limitations of the position of his first shop will be a valuable guide to him in the choice of a site for the second and the policy and methods which may have taken him many years to evolve in his first shop can be put into operation on the opening day at the second shop.

The benefit of previous experience is most obvious when multiple shops and single shops open in competition at the same time for example in a new township. The multiple shop has a trading policy which has already *proved* successful and its methods are all cut and dried so that it gives a characteristic and efficient service from the start but the single shop takes weeks to get into its stride and may show revolutionary changes of policy as the proprietor tests his various theories and ideas. The multiple shop attracts and retains the particular class of customer it wishes to serve but the single shop's experiments and mistakes shake the confidence of the customers it attracts and may prejudice its ultimate success.

Experience
Gives a
Flying Start

Generally speaking the retailer who extends his business by opening new branches forming a multiple chain, is in a much safer

position than the one who extends by enlarging his premises and opening new departments, forming a department store. The retailer opening branches is duplicating a successful business and keeping within his own trade but the one adding new departments may be experimenting with unproved theories or going outside his own trade.

Dangers of
Department
Stores

Some retailers have "burnt their fingers" very badly by dabbling in trades they do not understand e.g. the average draper makes an indifferent furnisher and a very bad provision merchant.

There is the further point that the retailer opening branches is spreading his risk over a number of shopping centres whereas the department stores proprietor stakes everything on his one trading position.

Shopping centres wax and wane in importance as the "geography" of towns is changed by building and rebuilding schemes and the class of customer changes also. The multiple shop concern is able to profit by these changes, by opening branches in the new shopping centres and, if necessary, closing its branches in centres which have lost popularity, but the department store has to wax and wane with the shopping centre in which it stands. The history of the first English department store, Shoolbred's, illustrates this. Shoolbred's rose to fame when Tottenham Court Road became the fashionable shopping centre of London but when the fashionable centre passed westwards and Tottenham Court Road declined in the public favour, Shoolbred's declined with it and passed out of existence in an incredibly short time.

A retailer who contemplates the establishment of a branch must be sure that he can organize and maintain one that will be a credit to him. The multiple shop companies are on safe ground here because their branches are all of about the same size and scope, and their businesses are not of a personal nature, but a retailer with a large business requiring constant personal supervision may not be able to duplicate his business or to give personal attention to a branch. Organizing a small branch of a large business is a much more difficult proposition than duplicating a business, as a small branch is not likely to be able to give its customers the same service as the parent business, the premises and range of merchandise must be smaller and it may not be economical to employ the same type of managers, salesmen,

Branches
Must be
Representa-
tive.

and technical experts. Some of the provincial branches of leading London retail houses are very bad advertisements for the parent businesses.

Nearly all our multiple chains have started with a single shop and grown steadily branch by branch. In many cases amalgamations and absorptions of other businesses have contributed to the growth but with the most successful chains the identity of any business absorbed has been lost and all the branches have been made uniform in name policy shop-front general appearance goods service and methods. The businesses absorbed may have had some influence on the policy and methods of the chain as a whole that is to say the chains have been ready to pick up good points from the absorbed businesses for general use at all their shops but a policy of standardization has usually been practised in order to ensure uniformity.

Standardization is a first principle of multiple shop trading as the full benefits of co-operative or combined action cannot be obtained unless the policies and methods are uniform throughout the organization. Great size that is to say a large number of branches brings its own problems and these problems are accentuated if any of the branches are non-standard and, therefore, require special treatment. To ensure economical working a big multiple shop organization has to keep a close check on the growth of its head office administration and branch supervision expenses and systematic working is essential.

The principle of standardization is carried into the smallest details. Window spaces and fittings are standardized to ensure uniformity in appearance and facilitate the production and issue of display material and the interchange of such material between branches. The lay out and stocking of branches and staff selection and training methods are standardized to facilitate the buying and issue of merchandise and the interchange of employees between branches. Clerical operations reports and statistics are standardized to facilitate the assembly of trading result figures and comparisons between branches.

Specialization is practised by nearly all multiple shop companies and often carried to extremes in order to give the shops and their service a distinctive character. Some of them cater only for a very closely defined class of customer and others limit their range

of merchandise to a few well chosen lines marketed under their own brands. It is not always easy for multiple shops to practise specialization however as many of them are engaged in trades (such as grocery confectionery and tobacco) where proprietary articles advertised to the public by the manufacturers would normally predominate and in order to sell their own distinctive lines many multiple concerns have recourse to price-cutting. This tendency to price-cutting is a regrettable feature of multiple shop trading from the viewpoint of retailers as a whole and it restricts the profit margins of the multiple shops. Sometimes it also restricts their service and scope. For example many multiple shops have to restrict themselves to cash and carry trade or to restrict their activities to districts in which there is a big volume of quick trade.

Specialization

A multiple concern practising standardization and specialization must select its shop sites with great care as they must all be in shopping centres with similar characteristics. Even the single shopkeeper looking for a site for his first branch must be careful to find a district in which he will serve the same class of customer with the same tastes because if he has to vary his service the second shop will be a separate business rather than a branch and he will lose many of the benefits of multiple trading.

Selecting Shop Sites

The larger multiple concerns often pay extremely high premiums in order to secure premises in exactly the situation they require and will not take a second best situation. They may have to buy out an established retailer or make a heavy investment in property in order to achieve their objective and this adds greatly to their capital commitments and establishment expenses.

Another policy adopted by multiple shop concerns in selecting their shop sites is area concentration. It is better for example for a multiple concern establishing five shops to have them at say Brixton Streatham Clapham Balham and Tooting than at Brixton Hammersmith Finchley Walthamstow and Catford. Area concentration reduces the administration supervision and delivery costs makes the shops better known in the district i.e. the branches advertise one another more effectively and also enables local tastes to be catered for more particularly.

Area Concentration.

Ability to cater especially for local tastes, which are sometimes very pronounced is an effective weapon of the enterprising single shopkeeper in competition with multiple shops. The single shopkeeper knows that the multiple shop manager's hands are tied by standardization, and as he usually has the manufacturers of proprietary articles on his side he can meet the multiple shop competition with comprehensive service in well known proprietary articles which find favour locally, backed by credit and delivery facilities which the multiple shop may not be able to offer.

A vitally important point in branch organization is the fixing of a branch manager's powers and responsibilities, particularly in regard to buying, cash control, accounting credit granting, expenses, staff control, sales promotion, and service to customers.

The Branch
Manager's
Authority

In order to obtain the maximum benefit from combined purchasing, the bulk, if not all, of the buying is usually done at headquarters, and the branch manager obtains his supplies by requisitioning them from the headquarters stores. The range of lines to be carried at the branch is usually decided by headquarters, but the manager may be allowed to add lines which his customers demand or to exclude lines which are not suited to local tastes. The size of the branch stocks should certainly be decided by headquarters and the maximum and minimum stock system described in Chapter VI may be used to control the branch stocks of individual lines.

Buying

In some trades however, it may be advisable to give the branch manager authority to make certain local purchases for stock or to obtain goods directly from suppliers to meet special orders from individual customers. His authority in this connection must be defined closely and his purchasing operations must be supervised by headquarters, as there is scope for dishonesty in local purchasing, especially if the branch is situated at some distance from headquarters.

Special
Orders

When, therefore, it is advisable to give the branch manager buying powers, it may be considered necessary for the headquarters' buyers to make the preliminary arrangements with the suppliers, opening channels through which the branch manager can obtain the goods or service he requires and, at the same time, arranging any safeguards that may be necessary to protect the interests of the firm.

It is necessary to keep a close check on the branch stocks as there is considerable scope for dishonesty in disposing of them. In many cases, the branch manager has to account for every article or particle of merchandise entrusted to him either by reporting it as sold, and accounting for the proceeds, or by giving evidence that it is still in stock. In practice, the headquarters usually keep a stock control account for each branch and debit to this account the value at *selling prices* of all merchandise sent to the branch, or taken into the branch stock from any other source. All sales waste, breakages returns to headquarters, and transfers to other branches are credited to this account, so that the balance of the stock control account shows the value at selling prices of the stock that should be at the branch. This balance is checked with stocktaking sheets sent in regularly by the branch manager.

Stock
Control

This system is similar to that used in department stores and described in the chapter on stock keeping and the following forms are suitable for use in branch stock control if "branch" is substituted for "department"

Stock Control Account	page 119
Requisition for Goods	78
Waste Note	115
Transfer Note	113
Price Alteration Report	117
Price Concession Report	145

Where the branch takes daily deliveries from headquarters, the manager may be asked to send in a weekly Stock Statement, similar to that illustrated on page 384 to facilitate the keeping of the stock control account. At stocktaking times the manager must reconcile his stock lists with the balance shown on his current stock statement, and this reconciliation and the actual stock on hand may be checked by an inspector from headquarters.

Where the number of lines stocked is not great the "unit control system" may be used. With this system the branch manager reports, and the headquarters watch, the stock movements of every line, enabling shortages to be traced far more effectively. In a typical case the branch manager sends in a weekly unit stock report similar to that illustrated on page 385, which acts as a requisition for further supplies as well as a stock statement, and gives the figures for each

Unit
Control.

BRANCH WEEKLY STOCK STATEMENT

MULTIPLE SHOPS LTD

Branch Old Kent Road

Stock Statement Week ended 16th May 1931

	£	s	d
Stock at 9th May 1931	83	8	6
Deliveries from Head Office as below	123	8	2
Other debits—			
Transfer from Waltham Road Branch			
(Transfer Note CT 974 12/5/31)	10	7	4
	£217	4	—
Sales as below	120	1	9
Returns to Head Office as below	11	9	3
Other credits—			
Price reductions on old stock			
(Price Alteration Report C 4 382 14/5/31)	4	8	9
Stock at 16th May 1931	75	4	3
	£217	4	—

STOCK MOVEMENTS

	Deliveries from H O			Sales			Returns to H O		
	£	s	d	£	s	d	£	s	d
Monday 11th	32	4	6	21	5	6	2	16	—
Tuesday 12th	22	19	10	24	8	—	1	18	6
Wednesday 13th	22	10	—	13	9	7	3	—	4
Thursday 14th	24	6	4	20	15	6	1	9	7
Friday 15th	21	7	6	18	9	10	2	4	10
Saturday 16th				27	13	4			
	£123	8	2	£126	1	9	£11	9	3

Charles Lewis
Branch Manager

WEEKLY STOCK REPORT (UNIT CONTROL)

CHAIN STORES, LTD

Branch Cricklewood

Stock Report Week ended 18th April 1931

Line No	Stock at 11/4/31	Received during Week	Total	Sales for Week	Stock at 18/4/31	Requisition for Supplies
101	30	—	30	2	28	—
102	16	12	28	9	19	12
103	—	—	—	—	—	—
104	22	6	28	8	20	12
105	11	24	35	26	9	24
106	14	12	26	20	6	24
107	36	—	36	3	33	—
108	17	12	29	16	13	12
109	4	24	28	19	9	24
110	11	12	23	10	13	12
111	8	6	14	8	6	12
112	5	6	11	4*	7	6
113	18	—	18	2	16	—
114	26	—	26	4	22	—
115	14	—	14	1	13	—
116	7	12	19	9	10	12
117	21	48	69	63	16	48
118	36	36	72	42	30	36
119	29	36	65	44	21	48
120	—	48	48	11	37	—
	325	294	619	291*	328	282

Remarks—

* Includes 2 returned to Head Office (defective)

H Talbot
Branch Manager

individual line inspectors may pay unexpected visits to the branches on stocktaking days and check the stock report with the actual stocks as a precaution against shortages being concealed by the manager

The goods listed as sold during the week may be valued at selling prices and reconciled with the takings reported for the week

It is the usual practice for each day's takings to be paid in by the manager at a local bank on the following morning, for the credit of the headquarters banking account, and for him to send the

counterfoil paying in slip receipted by the bank to headquarters as evidence of the payment. He may be asked to send with it an analysis of the day's takings showing how the amount is made up and where the unit control system is in operation he may be asked to give the sales of each line. The branch must be allowed to retain a sufficient cash float to enable change to be given and any petty cash disbursements to be met.

Banking Takings

Where credit is given at the branch the manager may also have to send in a weekly cash summary reconciling the sales with the amounts banked and the total amounts due from customers at the beginning and the end of the week. A summary of this kind is illustrated on page 387.

It will be noticed that on this summary the branch manager has to give details of all customers' accounts over four weeks old. His authority in regard to credit granting must be defined very closely by headquarters. If credit must be granted in certain circumstances he will usually be given general instructions as to the qualifications an account customer must have and the credit limits to be placed on individual customers and he will act as sanction officer for the branch. Where large amounts are involved or inquiries have to be made however the customers' applications for credit may have to be referred to headquarters and the inquiries may be directed from there. In practice the distance between the headquarters and the branches has an important bearing on this sanction supervision. If the branches are all in the same district there may be an advantage in centralizing the sanction operations so that the work is done by specialists with all the directories, reference books and black lists at their disposal and the inquiry agents under their control and the branch managers may be allowed to telephone for instructions but when the branches are at some distance this may occasion too much delay and the branch managers may be in a better position than headquarters to pass judgment on the applications for credit.

Collection of Accounts

The same remarks apply to the work of keeping customers' accounts and collecting the amounts due. There are economic advantages in centralizing this work but these advantages may be offset by inconvenience when the branches are distant and if as is usually the case a copy of

BRANCH WEEKLY CASH STATEMENT

MULTIPLE SHOPS LTD

Branch Old Kent Road

CASH SUMMARY Week ended 16th May 1931

	Sales						Accounts Collected	Banked					
	Credit			Cash				Amount			Date		
	£	s	d	£	s	d		£	s	d	£	s	d
Monday 11th	4	4		17	1	6	3	10		10	11	6	12th
Tuesday 12th	6	10		17	18		1	2	6	19		6	13th
Wednesday 13th	-			13	9	7				13	9		14th
Thursday 14th	8	3	4	12	12	2	6	6		18	18	2	15th
Friday 15th	5	5		13	4	10	8	10		21	14	10	16th
Saturday 16th	10	7	6	17	5	10	12	14	6	30		4	18th
	£34	9	10	£91	11	11	£32	3		£123	14	11	

Total Sales £126 1 9Cash Float £5

RECONCILIATION OF CREDIT ACCOUNTS

Total due from customers at 9/5/31

£ 127 4

Credit sales for the week

34 9 10

161 10 2

Collections for the week

3 3

Total due from customers at 16/5/31

£129 7 9

DETAILS OF ALL ACCOUNTS OVER 4 WEEKS OLD

Mrs Jones 830 Upstone Street 20th March

£4 4

Arthur Brown 721 Watpole Road 10th Apr 1

£6 2 6

Charles Lewis
Branch Manager

the customers' accounts must be kept at the branches for reference, centralization would mean duplication of work

The branch managers may, however, be asked to send in lists of customers' account balances at frequent intervals, with the overdue accounts specially indicated, and the headquarters may undertake the collection of accounts that are seriously overdue. In this matter of credit granting, a branch manager may be judged by results and it is sometimes difficult to treat all managers alike. Some of them may be relied upon to watch the interests of their employers but others may be inclined to take risks in order to obtain sales especially if they are paid a commission on turnover.

Generally speaking, it is helpful to pay branch managers partly by way of commission, but it may be advisable to pay this commission on net profits instead of turnover, encouraging the manager to keep down his expenses and avoid bad debts and other losses, as well as to promote sales. Where the goods are charged to the branch at selling prices, the manager will not know the gross profits, or the headquarters expenses applicable to his branch, and it may not be desirable to let him know them. In such cases his commission may be a percentage of the sales, less a percentage of the expenses.

It is a principle of accountancy to keep income distinct from expenditure and it is therefore, objectionable for a branch to pay its expenses out of the takings. In practice, the takings are usually banked entire, important payments such as rent, rates and local stock purchases, are made by headquarters and the branch wages and petty cash expenses are met by headquarters sending the branch manager a weekly cheque. Arrangements are made for a local bank to cash this cheque.

The branch manager makes out a weekly requisition for expenses, similar to that illustrated on page 389, and sends this to headquarters in time for the cheque to reach him on wages day. It will be noticed that the branch manager is asked to analyse his expenditure under headings prescribed by headquarters.

Vouchers covering items already paid out of the branch cash float are usually attached to the requisition, and those covering wages and commissions are sent to headquarters immediately after

BRANCH WEEKLY REQUISITION FOR EXPENSES

CHAIN STORES LTD

Branch *Cricklewood*STATEMENT OF EXPENSES for Week ending *18th April 1931*

Particulars	Amount			Total Required		
	£	s	d	£	s	d
Wages						
<i>H Talbot Manager</i>	6	-	-			
<i>F Campbell Senior Salesman</i>	3	-	-			
<i>L Gordon Junior Salesman</i>	2	-	-			
<i>K Daly Boy</i>		15	-			
<i>Mrs Fraser Cleaner</i>		12	6			
				12	7	6
Commission						
<i>F Campbell</i>	1	4	-			
<i>L Gordon</i>		11	-			
				1	15	-
National Insurance						
<i>Sandwich board men</i>				1	5	1
<i>Postages</i>					4	4
Sundry Supplies						
<i>Stationery</i>		2	6			
<i>Cleaning Materials</i>		1	4		3	10
				£15	15	9

ANALYSIS

	£	s	d
Wages	12	7	6
Commission	1	15	-
N Insurance		5	1
Advertising	1	-	-
Postages		4	4
Sundry Supplies		3	10
	£15	15	9

Remarks

*Sandwich-board men author
ised by Mr Goddard letter
9/4/31*

*H Talbot
Branch Manager*

they have been paid These vouchers will be scrutinized and checked with the entries by a clerk at headquarters

Where the branch staffs are large inspectors may pay unexpected visits to the branches on wages days and watch the payment of the wages or perhaps pay the wages themselves as a precaution against non-existent employees being entered on the wages lists or the amounts payable being overstated Wages vouchers are very easily faked or altered after payment The branch postage book may also be inspected if the postages are heavy

The branch manager should have precise instructions as to the number and type of employees he may engage the wages he may pay and the other expenses he may incur and

Staff
Control he should be instructed to obtain the sanction of the proper executive at headquarters before he incurs any expenditure of an unusual nature

In some multiple shop concerns all the employees are engaged by headquarters and appointed to the branches in response to requisitions in which case the branch managers will be expected to consult the staff manager at headquarters before making any dismissals or granting any wage increases special pay or holidays Centralization of staff control facilitates the interchange of employees between branches and the promotion of deserving employees When the individual branch staffs are small prospects for the ambitious employees are limited and promotion often has to take the form of a transfer from one branch to another Unless therefore the staff control is centralized there is danger of the branch situations becoming dead end jobs unattractive to the best type of employee It may also be necessary to give new employees a course of training at headquarters before they are appointed to a branch and to bring promising employees in for special training before they are promoted to more responsible jobs

Accounts for branch expenses and special purchases which must be paid by cheque should first be scrutinized and signed by the branch manager and then passed to headquarters with any necessary explanations as a requisition for a cheque to be sent directly to the creditor

By supervising the branch expenses headquarters will be able to control many of the activities of the branch including sales promotion Any schemes for local Press advertising circularization

or outdoor publicity will usually be directed by an advertising manager at headquarters who will say what part the branch is to take in the work. Any sales promotion ideas the branch manager has will be submitted to the advertising manager for approval and the advertising manager will sanction any special expenditure involved. The object in this is not only to prevent the branch manager from using any methods which would not be consistent with the policy of the concern but also to obtain ideas that might be used at all branches. Some branch managers have a flair for sales promotion and the benefit of this should not be restricted to the branches at which they are engaged. To encourage initiative rewards may be offered for ideas which prove to be acceptable for general use.

Most multiple shop concerns make a strong point of displays and many of them rely on window displays for their publicity undertaking no advertising. This is consistent with their policy of keeping down prices and profit margins and securing commanding premises in busy shopping centres where the potential customers are passers by.

The work of planning displays and furnishing the necessary materials is carried out by a display department at headquarters and if there is not sufficient work for a display man at each branch travelling display men are employed to go round the branches and arrange the displays. This ensures a high standard of display and also uniformity of display at the various branches making them advertise one another and associating the shops with certain lines in the minds of the public.

Supervision of expense also enables headquarters to supervise the service given to customers in connection with merchandise particularly delivery and after sales service. The branch manager must have precise instructions regarding the service to be given but the extent to which special services will be given to important customers may be left to his discretion subject to his maintaining a proper relation of service expenses to sales. When branches are situated in neighbouring shopping centres and the branch managers are paid partly by results headquarters may have to guard against their competing with one another for business by offering special concessions or services to customers and this must be borne in mind in

viewing price concessions and sales promotion and service expenses

Mention has been made of two purposes for which travelling inspectors may visit the branches, viz to check the stocks and to verify the wages being paid. Inspectors may also be employed to inspect the shop premises as regards general appearance, displays cleanliness, and fire precautions to examine the accounts of credit customers, to see that the shops are open at the proper time in the morning with all the employees in attendance, and that they are closed at the proper time at night, and to visit the shops incognito to test the salesmanship.

In selecting inspectors for such work, great care should be taken to avoid the officious or quarrelsome type of person who would interfere unnecessarily and cause friction with the managers. The inspector's attitude should be helpful and his criticism constructive, and he should be very careful not to behave in a way that will undermine the branch manager's authority over his staff or interrupt the work of the branch.

Comparisons of branch results are of great value in multiple shop trading, and it is the usual practice to assemble the figures weekly in a form which facilitates comparison. A specimen weekly summary of branch results is illustrated on page 393. The gross profit has been ascertained by taking a percentage of the sales, equivalent to the percentage of gross profit included in the selling prices. Where goods are subject to mark downs or waste, the gross profit percentage must be reduced sufficiently to allow for them. The "establishment charges" cover the rent rates, lighting, heating, repairs, maintenance and other expenses of the branch premises, including a 'rent charge' for interest on capital where the premises are the property of the company.

The 'administrative charges' cover all headquarters' expenses and those of any travelling inspectors, window dressers, or other specialists employed. In the case illustrated the branches are all of about equal size and the administrative expenses have been spread evenly over the branches but in some cases it might be necessary to vary this charge according to the size of the branch and the amount of headquarters' supervision and assistance it requires.

WEEKLY SUMMARY OF BRANCH RESULTS

Week Ended 18th April 1931

Chang Stores, Ltd

Branch	Sales	Gross Profit at 25% of Sales	Estab-lishment Charges	Wages and Com-missing	Branch Disburse-ments	Total Expenses	Trading Profit	Admin-istrative Charges	Net Profit
Cricklewood	£ 132 3 8	£ 38 - 11	£ 9 2 6	£ 14 2 6	£ 1 13 3	£ 24 18 3	£ 13 2 8	£ 5 10 -	£ 6 8 2
Funchley	£ 192 1 4	£ 48 - 4	£ 10 4 1	£ 16 17 6	£ 2 19 11	£ 30 1 6	£ 17 18 10	£ 5 10 -	£ 7 12 8
Golders Green	£ 202 10 -	£ 50 12 6	£ 12 11 2	£ 17 4 2	£ 5 - 4	£ 34 15 8	£ 15 16 10	£ 5 10 -	£ 12 8 10
Hampstead	£ 168 4 -	£ 42 2 -	£ 22 4 6	£ 25 2 8	£ 3 2 6	£ 30 8 8	£ 11 12 4	£ 5 10 -	£ 10 6 10
Harlesden	£ 144 11 6	£ 36 2 10	£ 9 16 10	£ 15 18 -	£ 2 8 10	£ 26 3 8	£ 9 19 2	£ 5 10 -	£ 6 2 4
Hendon	£ 151 7 3	£ 45 6 10	£ 12 3 8	£ 16 5 7	£ 4 12 -	£ 33 1 3	£ 12 5 7	£ 5 10 -	£ 4 9 2
Highbury	£ 136 4 4	£ 34 - 2	£ 11 14 3	£ 13 2 10	£ 1 11 9	£ 26 8 10	£ 7 11 4	£ 5 10 -	£ 6 15 7
Holloway	£ 175 4 4	£ 43 16 1	£ 8 17 2	£ 15 18 3	£ 3 6 2	£ 28 1 7	£ 15 14 6	£ 5 10 -	£ 2 1 4
Kilburn	£ 151 16 2	£ 37 19 -	£ 9 14 6	£ 14 9 -	£ 2 - 2	£ 26 3 8	£ 22 15 4	£ 5 10 -	£ 10 4 6
Willesden	£ 182 5 10	£ 45 11 6	£ 8 3 4	£ 16 12 9	£ 3 10 4	£ 28 6 5	£ 17 5 1	£ 5 10 -	£ 6 5 4
									£ 11 15 1
Total for all branches	£ 1 686 4 9	£ 421 11 2	£ 104 12 -	£ 153 13 3	£ 30 4 1	£ 288 9 6	£ 233 1 8	£ 55 -	£ 78 1 8

MERCHANDISE UNIT TRADING SUMMARY

Branch	Sales		Cost	Gross Profit	Branch Expenses	Trading Profit	Administrative Charges	Net Profit	Average Stock	Stock Turn
	No	Amount								
Cricklewood	54	£ 40 10	£ 29 14	£ 10 16	£ 6 15	£ 4 1	£ 1 1	£ 2 19	12	45
Finchley	75	56 5	41 5	15	9 7	3 12	1 8	4 4	16	47
Golders Green	104	78	57 4	20 16	13 5	7 10	2 2	5 7	15	69
Hampstead	94	69	50 12	18 8	12 4	6 3	2 3	5 7	14	66
Hariésden	34	25 10	18 14	6 16	4 5	2 10	13 8	1 12	12	28
Hendon	62	46 10	34 2	12 8	7 18	4 10	1 9	3 7	18	34
Highbate	86	64 10	47 6	17 4	12 11	4 12	2 11	2 7	17	51
Holloway	47	35 5	25 12	9 8	5 15	3 12	1 2	2 10	12	39
Isburn	38	26 10	20 18	7 42	4 18	2 13	1 4	1 9	14	27
Willesden	42	31 10	23 2	8 8	5 2 11	3 5	19 3	2 5 10	10	42
Total for all branches	634	£ 475 10	£ 348 14	£ 126 16	£ 82 3	£ 44 12	£ 15 1	£ 39 10	140	45

The summary is, therefore a weekly profit and loss account of the company as a whole enabling the development of the business to be followed closely by the principals and showing where the profits are being made

Where the unit control system is in operation separate trading summaries may be prepared for each line showing the sales profits and stock turn at each branch and for the whole chain. A summary of this kind is illustrated on

Merchandise
Unit
Trading
Summary

The branch and administrative expenses charged to each line are a proportion of the total expenses chargeable to the branch, on a basis of sales value for example if the total expenses of a branch amount to 17 per cent of the branch sales the expenses charged to each line for that branch will be 17 per cent of the sales of the line and if the administrative expenses charged to a branch amount to 3 per cent of its sales the administrative charges to each line for that branch will be 3 per cent of the sales of the line. Any advertising preparation service or other expenses applicable particularly to the new line would be charged in addition before arriving at the trading profit

It will be understood that where multiple shops stock only a small number of lines it is vitally important for the profit earning value of each line to be known and for the unit results to be watched continually. This enables lines which are not sufficiently successful to be withdrawn, and is a guide to the selection of lines for advertising and display. It is also a guide to policy in regard to the introduction of new lines and the choice of the new lines

CHAPTER XVIII

CASH AND EXPENSE CONTROL

THE organization of the cashier's department of a retail establishment requires very careful planning, having regard to the responsibilities connected with the handling of money and the fact that much of the cashier's work is of a confidential nature.

Safeguards against dishonesty are important but, generally speaking, it is far easier to prevent dishonesty than to prevent mistakes and indiscretions and these may have far more serious results for the house. Carelessness and indiscretions are human failings far more common than dishonesty and much more difficult to detect.

Cash control is an accounting function which normally falls under the supervision of the chief accountant in a big organization, but in a large number of shops the cashier's department is distinct from the counting house, and the head cashier reports directly to the principals. It is difficult to make any general recommendation in regard to this as so much depends upon the size of the organization, the amount of time which the principals can devote to supervision, and the personalities and relative importance of the chief accountant and head cashier.

The head cashier should, however, be a person of undoubted integrity, reliability and discretion, and should have sufficient authority to protect the interests of the house. There must be a clear understanding as to which principals or executives are entitled to give instructions to the cashiers and to ask them for information.

The staff of cashiers should be selected with great care, preference being given to employees from other departments who are known to be honest and discreet rather than to strangers. It is a good plan to insure the fidelity of all employees handling cash with an insurance company specializing in this class of business, as these companies have facilities for finding out much more than the employer can about an applicant for a responsible post, and the knowledge that they are under an insurance bond gives employees a greater sense of responsibility.

The work of the cashier's department should be apportioned systematically between the cashiers and duty and time schedules should be in operation so that there can be no doubt as to who is responsible for a certain task or who was on duty at a certain time.

The first essential in a cash system is to provide for all moneys received to pass into the hands of the cashiers as quickly as possible and to be recorded at once. The main sources of revenue have already been dealt with in preceding chapters and the recommendations made may be summarized as follows—

Receiving
Cash

Cash Sales The cashier who takes the money enters particulars on a cash summary (see page 272) and gives this to the head cashier with her takings at the end of her period of duty. This summary can be checked with the salesman's summary of his sales checks.

Remittances Received by Post The correspondence department lists all remittances received on Remittances Received Sheets (see page 398) and sends these sheets to the cashier's department with the cheques, postal orders, etc. Any interference with a remittance received from an account customer is likely to be disclosed when the customer receives her next statement and theft of cash with order remittances can be discovered by tracing all cash with order sales checks to the cash received sheets, but it may be difficult to trace a theft to the culprit. Great importance therefore attaches to the circumstances in which the post is taken in and opened and in some cases it may be advisable for the post to be opened in the cashier's department or better still for a trusted representative of the cashier's department to be stationed in the correspondence department to watch the opening of the post and take charge of the remittances.

Cash on Delivery Cash collected by van porters will be paid in by them to the cashier's department or to a representative of the cashier's department stationed in the dispatch department. There is little room for dishonesty in this connection as the porter must either bring back the money or the goods and the Cash on Delivery Register (see page 287) will draw attention to any defalcation. In the case of C O D consignments entrusted to the Post Office, money orders will be received by post from the Post Office and these

RETAIL MANAGEMENT

REMITTANCES RECEIVED SHEET (CORRESPONDENCE DEPARTMENT)

REMITTANCES RECEIVED				
Monday 13th April 1931			9 to 9 30 a m	
Received From	Amount			Nature of Transaction
	£	s	d	
Mrs Oliver Hereford	6	2	6	Cheque CWO
George Harding Wimbledon	7	10		Account
Mrs West Portsmouth	1			CWO
A J Bond Purley	13	7	2	Cheque Account
Charles Cole Warwick	5	3	9	MO
B Gould Carlisle	9	10		Cheque CWO
GPO L Webb Flint		17	6	MO COD
S Tubb Deal	3	2		
Mrs Parr Chester	1	4	2	
Mrs M Long Ryde		14	11	
E Hurst Croydon	10	10		Cheque Account
Mrs S Kemp Hythe		10	3	PO CWO
F H Ball Staines	6	7	4	Cheque
B Hopkins Fulham	7	9	6	Account
Mrs Nash Torquay		10		CWO
J Weller Sway	8	9	10	MO Account
Mrs Scott Sutton	3	2	6	Cheque
V Watson				J M Blake
Correspondence Dept				Cashier

will pass through the correspondence department and be recorded on the Remittances Received Sheets

Branch Remittances Branch takings are paid in by the branch managers for credit to the head office banking account and can be traced in the bank pass book. The branch remittances can also be checked with the cash statements sent in by the managers. Travelling salesmen or other employees entrusted with the collection of cash may work on the same principle as the branch managers paying their collections in daily at a local bank.

Provision must be made for the reception of account customers who attend personally to pay their accounts a matter that is of especial importance in hire purchase or instalment business. It is usually considered necessary to have a special cashier's desk in the shop for the reception of these customers as the handling of payments on account complicates the work of the ordinary cashiers and may delay them in attending to cash sales. There is the further point that account customers usually look upon their business as confidential and like to settle their accounts with a senior employee and with some degree of privacy. The accounts cashier will have to keep in close touch with the sales ledger clerks as customers may have queries on their accounts and the account desk should therefore be connected with the counting house by telephone.

Account
Customers
Payments

The cashiers can only be held responsible for cash which actually passes into their hands and it is up to the management to see that there is no danger of moneys due to the house being pocketed by employees. However comprehensive the systems of the house may be there is need for close and constant supervision of the passing of goods over the counter and out of the goods and staff exits and all such transactions as the disposal of waste sub-lettings sales of stationery packing garage or other supplies and casual services rendered to customers tenants neighbours employees and others must be regularized and supervised. It is not enough to ensure that goods or services are paid for—the money must be traced to the cashier's department.

Miscellaneous
Receipts

A certain amount of security attaches to the issuing of official receipts similar to that illustrated on page 400 for all amounts received other than cash sales in quick trade. These receipts should be numbered by the printer and made up into duplicate books enabling a copy of every receipt to be kept in the book. If the receipts are made as small as possible and are gummed at the back it will be convenient to stick them on to the sales checks or statements which have been paid. A careful check should be kept on the receipt books to prevent their getting into the hands of unauthorized persons. They should be issued to the cashier as she goes on duty and taken away when she hands in her takings and cash summary. The carbon

Official
Receipts

copies of the receipts should afterwards be checked with the entries on the cash summary and the numbers of the receipts should be noted on the summary in case it should be necessary to refer to a copy receipt at any time

<i>15th April 1931</i>		CR 7346			
Received from <i>Mrs Ferguson</i> the sum of <i>Twenty one</i> pounds <i>nine</i> shillings and <i>elevenpence</i>					
For and on behalf of SMITH & SMITH					
Cheque	<i>J Elliott</i> Cashier				
<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="padding: 2px 10px;">£21</td> <td style="padding: 2px 10px;">9s</td> <td style="padding: 2px 10px;">11d</td> </tr> </table>	£21	9s	11d		
£21	9s	11d			

The cashiers should be made to sign the receipts not merely initial them as initials are easily forged and a signature identifies the cashier more closely with the receipt. It also prevents the cashiers from allowing anyone else to give receipts for them.

CASH RECEIVED DOCKET		1074															
Date <i>15th April 1931</i>	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <th colspan="5" style="padding: 2px;">Time</th> </tr> <tr> <td style="padding: 2px 10px;">9</td> <td style="padding: 2px 10px;">10</td> <td style="padding: 2px 10px;">11</td> <td style="padding: 2px 10px;">12</td> <td style="padding: 2px 10px;">1</td> </tr> <tr> <td style="padding: 2px 10px;">2</td> <td style="padding: 2px 10px;">3</td> <td style="padding: 2px 10px;">4</td> <td style="padding: 2px 10px;">5</td> <td style="padding: 2px 10px;">6</td> </tr> </table>		Time					9	10	11	12	1	2	3	4	5	6
Time																	
9	10	11	12	1													
2	3	4	5	6													
To Cashier's Department																	
Please receive <i>cheque</i>	for	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="padding: 2px 10px;">£21</td> <td style="padding: 2px 10px;">9s</td> <td style="padding: 2px 10px;">11d</td> </tr> </table>	£21	9s	11d												
£21	9s	11d															
From <i>Mrs Ferguson</i> <i>274 Lily Villas Barndown</i>																	
In payment of <i>Statement to 31st March 1931 F/82</i>																	
Entered by <i>J Elliott</i>	Recd No 7346	<i>B Coleman</i> Furnishing Department															

In some cases it may be necessary to provide "Cash Received Dockets" similar to that illustrated on page 400, on which particulars of a collection may be recorded by the cashier or other employee who deals with the customer. Such dockets may, for example, be used when customers call to pay their accounts, as they will probably wish to take away with them the statement or invoice they are paying and also when van porters, account collectors and travelling or "rover" salesmen pay in sums they have collected. Van porters will probably list the collections for each journey on one docket. The dockets are numbered consecutively in the cashier's department and filed away carefully, the numbers being noted in recording the collections, so that the dockets can be traced if necessary.

Cash
Received
Dockets

Cash Received Dockets regularize the passing of money from the employees to the cashiers and also provide the cashiers with information that will ensure the correct allocation of the payments in the books of account.

As soon as the collections are reported to the cashier's department they should be recorded in a 'Cash Received Book' with sufficient particulars to enable the items to be credited to the proper accounts. Analysis books similar to that illustrated on page 402, are commonly used for this purpose, because they marshal the entries under convenient headings and save detailed entries and the subsequent extraction of figures.

Cash
Received
Book

It will be noticed that there are separate columns for cash sales, cash with-order remittances, cash on delivery collections, and sales ledger account customers' payments. This division is important, because each of these four classes of entry requires a different treatment, which will be described in Chapter XIX.

It is advisable to have two Cash Received Books in use, for alternate days, i.e. one for Mondays, Wednesdays and Fridays and the other for Tuesdays, Thursdays, and Saturdays. This enables the counting house clerks to work on the posting of the C.W.O., C.O.D., sales ledger and nominal ledger items for the previous day without interrupting the entry of the current day's receipts.

The Cash Received Book should be totalled and ruled off every time the takings are banked, in order to facilitate the checking of the pass book. If it is found that the bank treats certain items

(e.g. Scottish cheques) separately a paying in summary analysing the takings according to the method adopted by the bank should be written in the Cash Received Book at each banking. It is advisable to draw up a schedule Banking of paying in times designed to catch the various clearings of cheques and to insist upon the Cash Received Book being ruled off and the takings assembled in good time for each banking.

The keeping of takings on the premises overnight is to be avoided as much as possible so that the cashiers should be instructed to bank as much as they can before the banks close. Some banks have night posting boxes in which takings can be deposited after the bank has closed and retailers should take full advantage of this service.

Frequent paying in means less cash in the house, smaller sums in transit to the bank, more systematic working in the cashier's department, earlier credits at the bank and easier pass book reconciliations. Not only is the risk of loss minimized but the retailer obtains the use of his money quicker, a very important matter if his capital is limited or if he is paying interest on overdrafts.

Turning from income to expenditure the cashier's duty is to see first that all expenditure is duly authorized, second that the payments are made at the proper time, and third that proper records are kept. Cashiers should not be Expenditure allowed to authorize expenditure of any kind, as this would be too great a responsibility and would give scope not only for dishonesty but also for errors of judgment.

Expense control is a vital function of retailing, worthy of the close attention of the principals, because the careful supervision of expenditure not only safeguards the financial resources of the house but also directs its outgoings into the most profitable channels. It is therefore more a matter of policy than of accounting, and control of commitments is more important than control of payments. Querying a supplier's invoice or holding up a cheque is a very poor alternative to querying or holding up an order, because once the goods have been supplied or the work has been done it is too late to stop the expense, and any attempt to avoid or delay payment may lead to controversy with suppliers, legal costs, and injury to the retailer's credit reputation.

In a well organized business the whole of the income and expenditure is budgeted in advance having regard to (1) the aim and policy of the business (2) the forecast of probable sales and expenditure (3) the financial resources, and (4) the unavoidable expenditure, or standing commitments. The methods employed have already been described in Chapter VIII but it may now be helpful to take a hypothetical case and show how the budget is put into operation.

It may be imagined that after careful consideration of all factors, the principals of a retail business have settled upon the following budget for the ensuing year—

Sales	£ <u>£400 000</u>
Purchases of merchandise	300 000
Salaries wages and commissions	40 000
Advertising	15 000
Rent rates lighting heating repairs maintenance and other premises expenses	15 000
Dispatch delivery and packing materials	5 000
Displays showcards and tickets	1 000
Stationery and printing (other than advertising)	1 000
Salesmen's travelling and incidental expenses	1 000
Postages and telephone	500
Insurances	500
Sundry expenses	1 000
Profit before allowing for depreciation taxation reserves and contingencies	<u>20 000</u>
	<u>£400 000</u>

In preparing a budget of this kind a retailer is spending *anticipated* income and it is therefore important for the sales figure, upon which the figures are mainly based to be reasonably assured. It is a disastrous mistake to budget expenditure on the basis of an optimistic sales target, but this is a mistake very often made. The sales figure to be used is not the target at which the business will aim but the figure which can safely be expected.

Another great mistake is to budget for cash expenditure on credit income, unless the resources of the business are sufficient to meet the difference, or the credit can be financed on reasonable terms. On this question of ways and means the chief accountant and head cashier should be consulted before the budget is settled.

Having decided how much the business shall spend under each heading the principals must decide *who* shall spend the money on what instructions and under what supervision. The amount appropriated for purchases of merchandise will be divided amongst the buyers in the form of sanctions as described in Chapter V taking advantage of the opportunity to further the policy of the house as regards departments to be extended and departments to be restricted and reserving a margin for supplementary sanctions and possible new departments. The principals will also decide whether the buyers are to be given a free hand in using their sanctions or are to be given general or specific instructions regarding their commitments. A buyer's sanction may for example be divided into sections so much for one class of goods and so much for another.

Sanctions for
Expenditure

The next question is Who is to supervise the buyers? In some shops the counting house keeps the buyers commitments within their sanctions and will pass a supplier's invoice on the buyer's signature subject to the order having been passed by the counting house and to there being evidence of the receipt of the goods. In practice the invoices are usually checked and signed by the buyer a receiving room official and a counting house official (see page 85).

Supervision
of
Commitments

In other shops it is considered necessary for a principal or executive to act as merchandise manager and supervise the individual purchases criticizing if necessary the goods ordered the choice of supplier the quantities ordered the prices and terms of payment the time of placing the order and the time given for delivery. This is an entirely different form of supervision from that practised by an accountant and requires considerable technical knowledge of the goods.

Merchandise
Control

The merchandise manager usually operates the sanction control and may relieve the counting house from the responsibility of keeping the buyers within their limits. This opens the question of whether the merchandise manager's work should cease with the passing of the buyer's orders to the suppliers or whether he should be asked to sign the suppliers' invoices.

Generally speaking it is advisable to relieve the merchandise manager of the task of checking invoices as this is something of

a duplication in view of the fact that he has already passed the order to the supplier. If, as is generally the case, the merchandise manager signs the counting house copies of the orders he passes, the counting house can be given the task of "matching" these copy orders with the invoices and seeing that every invoice they pass is covered by an order which the merchandise manager has signed.

The system covering the purchase of merchandise may be extended to cover any classes of expenditure which involve the purchase of supplies or the employment of outside contractors. The manager of each of the supply or service departments, e.g. advertising, premises, dispatch, display, and stationery may be looked upon as a 'buyer,' and made to keep his expenditure within the limit of his appropriation, to give official orders on the prescribed form to his suppliers and contractors, and to obtain the sanction of a principal or executive, specially appointed to supervise his class of expenditure, before any order is given.

In deciding to what extent the individual commitments shall be supervised and by whom the principals must consider how much supervision the various managers of spending departments need and how much scope they have for dishonesty or wastefulness. The proprietor or managing director may take it upon himself to supervise all expenses, delegating the detail work to his personal assistants, or a "supervisor of expenses" may be appointed to control the expense commitments in the same way as the merchandise manager controls the commitments for merchandise.

A further check on the activities of the manager of a spending department may take the form of a subdivision of his appropriation. For example the advertising manager may be allowed so much for Press publicity, so much for outdoor publicity, and so much for direct mail publicity.

Special supervision must be given to commitments for expenditure of a recurring nature such as rents and regular service contracts. All agreements covering such expenditure should be passed by the principals, e.g. by the Board of Directors, before any liability is incurred.

Capital expenditure should be made the subject of special

appropriations after the principals have given careful consideration to competitive estimates and their relative merits and costs and to the recommendations of the various executives concerned

In devising a system of expense control care must be taken to avoid perfunctory signing which is far too common in the larger retail businesses. Some directors and managers are irresponsible or gullible enough to sign anything and everything. When queries arise such people will unblushingly say that they know nothing about an order or invoice they have sanctioned that it looked all right or that they signed it because So and so had signed it.

*Perfunctory
Signing*

Consideration must therefore be given to the personalities of the supervisors as well as to their positions and authority must not be given to persons who will not accept responsibility or who have no means of checking the expenditure they are asked to authorize.

In most cases invoices from suppliers and contractors will be the basis on which payment is made or the supplier's bought ledger account will be credited and the invoices will bear the signatures of the persons authorizing payment. The counting house will have the responsibility of scrutinizing this authorization before they pass the invoice into their records. The manager of the spending department is usually the first to pass the invoice and the counting house match it with their copy of the order issued to the supplier making sure that the order was duly authorized by the principal or executive responsible for the supervision of the particular class of expenditure.

*Checking
Invoices*

If the invoice is in respect of supplies the counting house will obtain the signature of a receiving room official on the invoice. In the case of service other than goods they will require some evidence that the work has been done e.g. in the case of Press advertising a specimen copy of the advertisement may be attached to the invoice.

The signature of a counting house official on an invoice should mean very much more than that the calculations and additions have been checked. It should mean that every precaution has been taken to see that the invoice is a correct statement of a sum properly payable by the house in respect of services which have been rendered on the

*Counting
House
Responsibility*

instructions of the proper authority. The counting house officials must be made to take a broad view of their responsibilities.

It is imperative for a retailer to know the full extent of his liabilities at any time, and all invoices for merchandise or expenses should, therefore, be dealt with immediately they are received. In big retail establishments there is a tendency for buyers and departmental managers to put off the checking of invoices until a "slack" day but as this often leads to invoices being mislaid, liabilities being overlooked, discounts being lost, and controversies with suppliers and as the success of claims on suppliers for adjustments in respect of overcharging, shortages, damage, or "goods not as ordered," may be prejudiced by delay in querying the invoice, procrastination must be prevented.

In some shops the suppliers' invoices are listed in the correspondence department as they arrive, and the lists giving the names of the buyers to whom the invoices are passed are sent to the counting house. The checked invoices received from the buyers are afterwards marked off on the lists, and any slackness on the part of a buyer, disclosed by a scrutiny of the lists of outstanding invoices, is reported to the management for disciplinary action to be taken.

As soon as the invoices have been passed, they should be recorded in a "Purchases Journal" or "Bought Journal," similar to that illustrated on page 409 in which the items are analysed under the appropriate headings. In a department store, the merchandise purchases would be analysed under the names of the various selling departments, and a separate journal would be kept for expense items.

From the Purchases Journal, the items are credited to the individual suppliers' accounts in the Bought Ledger. The form of Purchases Journal illustrated gives the terms of payment and discounts obtainable. These terms, which should be settled by the buyer at the time of ordering and noted on the order, are "posted" from the copy order into the Purchases Journal, and from there on to the headings of the suppliers' accounts in the Bought Ledger.

Cash discounts are valuable, and mount up to very considerable figures in the course of a year; for example, if a retailer whose purchases amount to £300,000 a year obtains 2½ per cent cash discount, on an average, this will represent a saving of £7,500 a year. In some trades, a

retailer with plenty of working capital can obtain very substantial discounts from "hard-up" suppliers, possibly as much as 10 per cent for cash in seven days

Sometimes a retailer with limited means has to choose between (1) borrowing money at interest in order to pay his suppliers' accounts promptly, and (2) keeping his suppliers waiting, at a sacrifice of discounts. Generally speaking, it is much better to borrow, if one can, than to keep the suppliers waiting, as the interest payable is usually much less than the loss of discounts would amount to. If, for example, a retailer loses a discount of $2\frac{1}{2}$ per cent in order to obtain an additional month's credit from a supplier, he is paying at the rate of 30 per cent per annum for the use of the money.

With monthly accounts it is usual to wait for the suppliers' statements, to check these with the bought ledger accounts, and to pay them on the statements, after the cash discounts have been deducted and the statements have been signed by the bought ledger clerk, and possibly countersigned by the chief accountant or some other counting house official, who scrutinizes them and may refer to the bought ledgers or to the Purchases Journal for verification. In some houses the official who countersigns the suppliers' statements traces the items in the Purchases Journal and marks them off as "paid."

Normally, the suppliers' invoices are filed away in the order of the entries in the Purchases Journal, but in some counting houses they are kept in alphabetical order under the suppliers' names until payment becomes due, and are then attached to the suppliers' statements as supporting vouchers, or may themselves be used as a basis for payment. The advantage of this method is that the principals called upon to sign cheques can have the invoices bearing the buyers' and other signatures before them, as well as the statements, which usually give very little information. It also facilitates the immediate payment of accounts, in order to obtain special discounts. Some suppliers offer a "sliding scale" of discounts according to the period of credit taken, for example, they may allow $2\frac{1}{2}$ per cent for payment in one month, i.e. "on statement," or 5 per cent for payment within seven days, i.e. "on invoice."

The general practice is for the statements or invoices to be passed to the cashier's department for the cheques to be drawn, and,

before drawing the cheques the cashiers will satisfy themselves that payment has been duly authorized. Cheques should never be drawn on verbal instructions. Where there is no in voice or statement to support a payment the cashiers should ask for a written cheque requisition or memorandum stating precisely what the cheque is for and bearing the necessary signatures authorizing payment. The operation of signing cheques gives the principals an opportunity to supervise the payments and scrutinize the supporting vouchers and the instructions to the bank should limit the authority to sign cheques to those principals or executives who can be relied upon to do so conscientiously and intelligently. Here again perfunctory signing is very common and should be avoided in the interests of all concerned.

Drawing
Cheques

In the case of limited companies it is customary for cheques to be signed by two directors and it is advisable for one of these to be the managing director or some other director who follows the business of the company from day to day. The cheques may also be signed by the chief accountant as an indication that the counting house accepts responsibility for the correctness of the payment or by the secretary who knows the wishes and decisions of the Board of Directors as a whole and may be instructed to watch certain points in connection with the expenditure.

Salaries and wages represent a very important item of expenditure calling for special treatment. The amount appropriated for this purpose in the budget of expenses must be allocated to the various sections or departments of the business taking into account the existing commitments and any point in the policy or programme for the ensuing year which involves the increase or the cutting down of the staff in any particular department.

Salaries and
Wages

Departmental managers are rarely given a free hand in spending their appropriation that is to say with regard to the appointment or dismissal of employees or adjustments in their rate of remuneration. In nearly all businesses some principal or executive acts as staff manager controls the staff costs of the various departments in accordance with the budget allocations and supervises the treatment of individual employees. This form of supervision has been described in Chapter XII.

The preparation of wages lists is usually entrusted to counting house clerks, carefully chosen for their integrity and discretion

The majority of the employees will probably be weekly wage earners regularly employed. The wages for such employees are

recurring items, continuing until further notice, and, in practice, the wages clerks usually make up each week's wages list by copying the previous week's list, subject to any adjustments which have been notified to them. It is, therefore, important for the adjustments to be notified to the wages clerks authentically and in writing, in order to avoid delays, mistakes, and controversies

A "Memorandum of Engagement" which may be used in notifying the wages clerks of new employees is illustrated on page 249. This is signed by the principal or executive acting as staff manager, and may be countersigned by the manager of the department in which the new employee is to start work.

A "Notification of Wages Alteration" form, suitable for use in notifying the counting house of transfers, dismissals, resignations, and increases and decreases of salary, is illustrated on page 413. This is also signed by the staff manager and the manager of the department in which the employee is working. On this form the inoperative sections are crossed out, in order to make the nature of the alterations clear and to guard against an unauthorized alteration being made after the form has been signed, for example an increase in salary being added to a transfer without proper authority.

The reason for notifying transfers of employees from one department to another, whether or not there is an increase of wages, is to enable the wages clerks to charge the employees' wages to the correct departments, in cases where the wages are analysed into departments. In such cases the managers of both the departments concerned may be asked to sign the notification form.

The prompt notification of dismissals and resignations must be insisted upon, as this is often neglected and, if wages are drawn for employees who have left, there is grave danger of someone pocketing the money. Cases have been known in which employees' wages have been drawn and pocketed by the cashiers for months after they have left.

NOTIFICATION OF WAGES ALTERATION

No 647

To COUNTING HOUSE
Wages Section

Date 24th April 1931

Please note the following alteration in respect of—

Employee Miss Hetty Brown
Position Junior Saleswoman
Department Inexpensive Millinery

TERMINATION

Her employment will cease on

TRANSFER

She will be transferred to Model Hats Dept
on 27th April 1931

INCREASE

Her wages rate will be increased
from
as from 27th April 1931 by
To

per week		
£	s	d
1	10	
	5	-
1	15	

DECREASE

Her wages rate will be decreased
from
as from
To

per week		
£	s	d

J Irwin

Manager Millinery Department

S Anderson

Manager Model Hats Department

P Sullivan

Staff Manager

The wages clerks need not be told whether the employee has resigned or been dismissed

In large establishments a separate wages list is prepared for each department and is signed by the manager of the department, the staff manager and the wages clerk, before it is passed to the cashier's department for the cash to be drawn

Authority for Payment The manager, of each department should be instructed to look upon the wages list as a charge against his department and to make sure that the items are correct, and in particular that he is not being charged with the wages of persons no longer employed. The staff manager will take advantage of the opportunity to see that all alterations notified to the counting house have been made on the wages list and he should also pay particular attention to the removal of the names of employees who have left.

In many shops recording time clocks are used to check the employees' movements in and out of the building and so draw attention to absentees and to employees who arrive late take more than the authorized time for meals, or go home too early. There are two types of time clock in common use with the first each employee has a weekly time card and a distinctive number and boards bearing slots with all the employees' numbers are fitted at each side of the clock. When the employees are entering the building the cards are in the slot on the nearest side to the door and each employee takes his card out of his slot, inserts it in the clock machine for the time to be recorded on it and then puts the card in his slot on the other side of the clock. When the employees are leaving the building, the movement of the cards is reversed. The cards left in the outer slots in the morning show the employees who have not arrived, and the cards left in the inner slots at night show the employees who are still in the building.

With the second type of time clock cards are unnecessary. A punch revolves on a wheel bearing the employees' numbers, and, as each employee punches his number the time is recorded against the number on a sheet of paper inside the clock machine. This type of clock does not show up absentees and employees still left in the building so obviously, and is not such a good safeguard as the card system, as it is easier for an employee to punch the wrong number by

Types of Clock.

Department Silver

WAGES SHEET

Week Ending 1st May 1933

Time Report				Name	Position	Wages Rate	Additions and Adjustments	Amount Earned	Employees Insurance Contributions	Net Amount Payable	Employers' Contributions	
F	Sa	Mo	Tu	W	Th						HI	UI
✓	✓	✓	✓	✓	✓	£ 2 3 -	Commission	£ 2 3 -	1 4	1 4	2	3
✓	✓	✓	✓	✓	✓	4 - -		4 5 3	3 4	4 6 11	8	8
✓	✓	✓	✓	✓	✓	3 5 -		3 10 4	1 -	3 9 4	7	7
✓	✓	✓	✓	✓	✓	3 15 -		3 1 10 3	1	3	7	7
✓	✓	✓	✓	✓	✓	1 15 -		1 13 2	1	1 17 2	7	7
✓	✓	✓	✓	✓	✓	1 10 -		1 17 9	1 -	1 12 8	7	7
✓	✓	✓	✓	✓	✓	2 10 -		2 10 -	1 4	2 8 8	9	8
✓	✓	✓	✓	✓	✓	15 -		15 -	1 3	13 11 1	9	6
-	-	-	-	-	-	1 10 -	3 days (new)	1 10 15 -	1	14	7	7
SUMMARY												
Wages				£ 21 10 10	4							
Commission				1 11 8								
Insurance				£ 22 16 -								
Cash required												
											£ 24 16 91	5 3
R B Sims Catering House							H Macgregor Manager	Scher Dept	P Sullivan Staff Manager			

mistake than to use the wrong card and easier for him to punch twice in order to 'clock in' a friend than to take two cards, insert them in the clock one after another, and put them away in the proper slots.

Whichever type of time clock is used, there should be a timekeeper on duty at the clocks to watch the employees passing in and out as, in the absence of such supervision, a great deal of clocking in for friends goes on and the object of the time recording may be defeated.

In some shops the time cards or clock sheets are passed to the wages clerks who note the absences (A), late arrivals (L), early departures (E), and overstayed lunch times (O), on the wages sheets. A wages sheet with this time report is illustrated on page 415. Where this form of wages sheet is in use any misbehaviour of the employees is brought to the notice of the executives who sign the wages sheets, giving them an opportunity to take disciplinary action at the most appropriate time—wages day. An adjustments column is provided in the Wages Sheet illustrated in order to reconcile the wages rate, normally recurring from week to week, with the wages actually paid. In some shops commission, overtime, holiday money, and bonuses are drawn and paid with the wages, in which case the adjustments column can be used to record these items.

The salesmen's commission is usually paid on the basis of the salesmen's daily summaries (see page 271) upon which the amount of commission due to the salesmen may be worked out by them. In some shops, the managers of the selling departments compare the items on the summaries with the copy sales checks in the salesmen's books, check the additions and calculations and certify the correctness of the amount of commission claimed by the salesmen. In other shops, the salesmen hand their sales check books and summaries in to the counting house every night for inspection and the checking is done there. With this method, each salesman must have two sales check books, for alternate days.

The total amount of commission claimed daily in each department should be reconciled with the day's sales for the department, as tabulated by the counting house for accounting purposes.

Commission should be paid as soon as possible after it has been earned in order to associate large sales with high earnings and small

sales with low earnings in the minds of the salesmen. The commission week should therefore end a day or two before the wages week, to enable the commission to be paid with the wages while the events of the week and the circumstances in which the commission was earned are still fresh in the salesmen's minds. It is found that if commission up to Wednesday night is paid with the wages on Friday it has a far greater sales promotion influence than if the commission is paid a week in arrear.

Prompt
Payment
Advisable

Generally speaking, payment of overtime is to be avoided as far as possible in retail business, as the practice is open to abuse. An employer can always reward an employee who under takes extra work, outside his normal duties, whether or not the employee claims extra payment, but it is dangerous to systematize the payment of overtime so that the employees demand it as a right. The length of time an employee works is not always an indication of the amount of work he does and in some large establishments where overtime is paid systematically, on the evidence of the time cards the regular recipients include employees who are not efficient enough to get through their allotted tasks in the normal working day, and others who have no desire to do so, having regard to the overtime which they can earn by 'going slow'.

Overtime

If employees are paid a fair living wage, it can be made clear to them when they are appointed that this wage includes any extra assistance they may have to give during stocktaking, sales or special events. Where an employee undertakes extra work which cannot reasonably be considered as covered by his wages, his manager should bring the matter to the notice of the principals or staff manager, without making any promise to the employee, leaving them free to make any special grant they think fit.

Payment of wages in advance on account of holidays causes a great deal of difficulty in many shops, as this upsets the comparative figures from week to week and gives scope for mistakes and dishonesty. This difficulty may be avoided by establishing a holiday suspense fund" or "holiday float," from which the holiday advance wages will be paid. The wages sheets will not then be affected by holidays, as the wages of the employees away on holiday will be drawn as usual and repaid to the "holiday suspense fund."

Holiday
Money

When the preparation of the wages sheets has been completed and the necessary signatures have been obtained, the sheets should be passed to the cashier's department for the cash to be drawn from the bank and the payments to the individual employees to be made by the cashiers. **Paying the Wages** None of the persons who have taken part in the preparation or checking of the wages sheets should take part in the actual payment of the wages, otherwise there is scope for dishonesty.

To facilitate the payment of a large number of employees, the wages are usually made up in envelopes with the employee's name and the net amount payable on the outside of each envelope. In some shops the employees call at the cashier's office for their money, certain times of payment being allotted to each department. In others the cashiers go round the departments and hand the employees envelopes to them at their posts. The latter method is preferable, as it does not take the employees away from their work, and it prevents impersonation.

It may be considered advisable to obtain receipts for the wages. Some employers have a simple form of receipt printed on the outside of their wages envelopes as in the illustration below and instruct the employees to sign these and hand them back to the cashier at once, the advantage of this system being that it forces the employees to open their wages envelopes and check the contents in the cashier's presence, **Wages Receipts**

WAGES ENVELOPE—RECEIPT

WAGES		
<i>Mr H Bright</i>		
<i>Silver Dept</i>		
Received the sum of		
£ 4	14s	2d
<i>H Bright</i>		
<i>1st May 1931</i>		

and thus prevents *controversies*. Where the employees call at the cashier's office for their wages it may be more convenient to use a receipt book giving a separate page to each employee, in which he signs regularly every week against the net amount he receives. This method is safe as well as convenient because the signatures can very easily be compared—a safeguard against impersonation—there are no small receipts to get lost and the receipt book can be checked with the wages sheets very quickly.

It is usual to pay the more important employees monthly and some employers pay all senior employees by monthly cheque in order to lighten the clerical work and reduce the quantity of cash handled on wages days. Although there are obvious advantages in paying salaries monthly rather than weekly it must be borne in mind that the fact of being paid monthly may support an employee's claim to at least a month's notice where there is no formal agreement covering his appointment.

Monthly
Salaries

The convenience of the individual employees should also be taken into account as monthly payment might cause hardship in some cases. Generally speaking monthly payments are beneficial to employees because they encourage them to open a banking account and thus usually leads to saving but where employees are inclined to live beyond their incomes, monthly payments are likely to lead them into debt and consequent difficulties. Such employees are better off with weekly payments which show them more clearly how much money they have to spend.

Where the employees on the monthly list all have banking accounts, it is possible to dispense with the drawing of separate monthly cheques for them, by instructing the bank to transfer the amounts payable to the credit of the employees' accounts at their banks. It will only be necessary to send the bank a list of the salaries for the month with the names and addresses of the employees' banks and one cheque, payable to the bank, for the total amount.

Bank
Transfers
of
Salaries

This method has the advantage of secrecy, because the amounts paid to the individual employees do not appear in the cash book or pass book, and as the monthly list includes the principal executives, this secrecy is important.

The monthly salary list will probably be scrutinized and signed

by the principals themselves or passed by the directors of a company at a board meeting

In seasonal trades and shops which stage bargain sales and special events the regular staff is augmented by the employment of casual labour —temporary salesmen clerical or manual workers engaged for the period of the event or by the day or hour Where casual labour has to be employed it is necessary to earmark a proportion of the wages appropriation to cover the cost For example the buyer of a certain selling department may be allowed £1 100 per annum for wages with £60 earmarked for casual labour at sale times allowing him £20 per week for his regular staff Unless this is done there is danger of the departmental managers spending the whole of their appropriation on regular employees so that there is nothing left for casual labour and the departments have either to go without extra assistants at sale times or to be allowed to spend in excess of their budget limits

It is advisable for the wages of temporary employees to be treated quite separately from those of the regular staff and for separate wages lists to be prepared for them In practice a weekly list of the temporary staff in each department and the sums payable to them or their hourly or daily rates is usually sent to the counting house by the staff manager or whoever else engages them and the wages clerks make up the temporary staff wages sheets from these lists and the time cards It is very important to have time cards for temporary employees even if this system is not in general use as their attendances may be irregular and there is some danger of wages for casual employees who have not reported for work at all being drawn and pocketed

The wages sheets for temporary workers should be signed by the departmental managers concerned and by the staff manager and should be paid by the cashiers as in the case of regular employees It is most unwise to entrust the payment of casual workers to the departmental managers

Special attention must be given to the supervision of national health and unemployment insurance contributions as the stamps used are valuable and any neglect or defalcation may lead to the retailer incurring penalties for not stamping cards as well as the

loss of the stamps. On no account should the clerks who stamp the cards be allowed to buy the stamps. The stamps required, as shown by the wages sheets, should be purchased by the cashier's department and affixed to the cards by the wages clerks in the counting house.

National
Insurances

At irregular, but frequent intervals, the secretary, staff manager, or some other executive should inspect the insurance cards, in order to see that there are adequately stamped cards for every employee on the wages list. Casual employees' cards should always be inspected when they are being paid off, as such employees often neglect to give in their cards and there is danger of the stamps being pocketed. Confusion is often caused by employees neglecting to obtain new cards or to give them in, and the timekeepers should be instructed to press for the new cards at the beginning of each insurance period and to obtain cards from new employees.

Petty cash disbursements must be controlled with as much care as the more important payments, because, although the individual items are small, they may amount to a considerable sum in the course of a year.

Petty
Cash

Apart from any question of dishonesty, the retailer has to guard against his employees spending his money too freely. If he has a number of employees making unnecessary purchases of small supplies, or incurring unnecessary expenses, this may result in a serious leakage of profit.

Where budget control is in operation, the appropriations should cover the petty cash disbursements and, if necessary, a part of the appropriation should be earmarked for petty cash items. This part of the appropriation can be fixed at so much per week, and the petty cashier can be instructed to enforce this limitation.

The petty cashiers should not be allowed to make purchases or incur expenses themselves but only to refund the amounts expended by other employees, on authorized items, with the sanction of the executive responsible for that class of expenditure.

The expenses which employees of various grades may incur on behalf of the house should be made clear by the management. For example, if salesmen are sent away from home on business trips they should be told what class they may travel, in what kind of hotel they may stay, and what entertaining, if any, they may do.

What may
Employees
Spend?

Where special departments exist for the purchase and control of supplies, the employees in other departments should not be allowed to make outside purchases of those supplies. For example, a clerk should not be allowed to buy stationery if there is a stationery department, a salesman should not be allowed to buy display material if there is a display department, and a cleaner should not be allowed to buy cleaning materials if these are controlled by a premises department. In all cases the employee requiring the supplies should requisition them from the supply department. If they are not in stock, the supply department may obtain them specially, or possibly authorize the employee to buy what he wants, in which case it must accept responsibility for his purchase.

All petty cash vouchers should be prepared and signed by the employee incurring the expense, and countersigned by the executive responsible for the particular class of expenditure. It is advisable to use small printed forms, similar to that illustrated below, for the vouchers. Any bills or receipts obtained in connection with the payments should be attached to the vouchers to which they refer.

CODLING & HAKE LTD		137									
PETTY CASH VOUCHER											
Please refund the following expenses incurred by me on behalf of the Company		Date 27/4/31									
<i>Return fare to Penon Vale</i> <i>Call on customer— Mrs Preston 183 Bird Walk Penon Chase</i>	<table border="1" style="margin: auto; border-collapse: collapse;"> <tr> <td style="padding: 5px;">£</td> <td style="padding: 5px;">s</td> <td style="padding: 5px;">d</td> </tr> <tr> <td style="padding: 5px;"></td> <td style="text-align: center; padding: 5px;">2</td> <td style="text-align: center; padding: 5px;">6</td> </tr> <tr> <td style="padding: 5px;"></td> <td style="text-align: center; padding: 5px;">2</td> <td style="text-align: center; padding: 5px;">6</td> </tr> </table>		£	s	d		2	6		2	6
£	s	d									
	2	6									
	2	6									
Allocation <i>Salesmen's Exp</i> Authorized by <i>A Bishop</i> <i>Sales Manager</i>	Signature <i>T Coats</i> Department <i>Sales</i>										

PETTY CASH STATEMENT

Department Cashier's Office

Week Ending 2nd May, 1931

Date	Voucher No	Employee	Particulars	Amount	Salesmen's Expenses	Stationery and Office Supplies	Display	Premises	Sundries
Apr 27	137	Coals	Fares	£ 2 4	£ 2 6	£ 2 4	£ 2 4	£ 2 4	£ 2 4
	8	Wallen	Flowers	12 -	-	-	12 -	-	-
	2	Allen	Bread polish	2 -	-	-	-	2 -	-
28	140	Jones	Driving licence	5 -	-	-	-	-	-
29	1	Sutton	Fares	3 2	1 2	-	5 -	-	-
	8	Henry	Road map	3 6	-	-	3 6	-	-
30	3	Nuttall	Ready reckoner	2 3	-	2 3	-	-	-
	4	Wallen	Flowers	9 3	-	-	9 3	-	-
May 1	5	Barnes	Fares	7 4	7 4	-	-	-	-
2	6	Bell	Ash tray (special order)	12 1	-	-	-	-	12 1
				£ 27 1	£ 11 -	£ 2 3	£ 2 1	£ 2 -	£ 12 1

Merchandise Purchase

CASH RECONCILIATION

Cash float £ 1 4 -
 Expenditure for week 2 17 1
 Balance in hand £ 2 2 11

Checked by

J. Cameron
 Counting House

Signed

Mary Hughes
 Petty Cashier

The petty cashier should immediately enter particulars of the payments she makes in a Petty Cash Book or on a Petty Cash Statement and number the vouchers and file them for safe keeping

In many shops the petty cash is drawn irregularly as the cashier runs short of money for example she is given say £10 and when she has spent that she draws another £10 This system is not to be recommended because it makes it difficult to compare the expenditure from week to week and gives scope for dishonesty

It is far more satisfactory to give the petty cashier a definite float sufficient to cover a week's expenditure and to refund weekly the actual amount of her expenditure so that her float is regularly made up to the full amount and the expenses and analysis can be checked and compared week by week The petty cashier's requisition for her weekly cheque may take the form of a statement of her expenditure similar to that illustrated on page 423 accompanied by the vouchers This statement should be checked and the vouchers examined by a counting house clerk before the cheque is drawn and the petty cashier may be asked to produce the balance of cash in hand

The Imprest
System

In a large establishment it may be advisable to give certain of the spending departments a petty cash float and allow them to account for their expenditure weekly on the plan described above This will save the employees in those departments coming to the cashier's office every time they have to cash a voucher

All cheques drawn by the cashiers should be recorded immediately in a Cash Payments Book with sufficient particulars to enable the payments to be traced and the items to be posted correctly to the Bought or Nominal Ledger accounts A typical form of Cash Payments Book is illustrated on page 425 and it will be noticed that analysis columns are again used to marshal the items under account headings and thus facilitate checking and posting

Cash
Payments
Book.

The Cash Received Book and Cash Payments Book represent the debit and credit sides of one banking account but neither of them shows the balance of the account The head cashier keeps a Private Cash Book into which he posts the totals from the other cash books the Cash Received Book totals as debits and the Cash Payment Book totals as credits in order to arrive at the balance of the account which

The Cash
Balance

CASH ESTIMATE STATEMENT

27th April 1931	Estimated	Actual	Difference Plus or Minus
Balance at 25th April 1931	£ £23 410	£ £23 410	£
WEEK ENDING 2ND MAY			
Revenue Cash sales	2 800	2 664	136
Account collections	2 200	1 940	260
Sundries	250	236	14
	£5 250	£4 840	£410
Expenditure Bought ledger	1 300	1 246	54
Salaries and wages	850	837	13
Petty cash	60	62	2
Sundries	80	75	5
	£2 290	£2 220	70
Balance at 2nd May	£26 370	£26 030	£340
WEEK ENDING 9TH MAY			
Revenue Cash sales	2 600		
Account collections	3 800		
Sundries	120		
	£6 520		
Expenditure Bought ledger	16 700		
Salaries and wages	540		
Petty cash	60		
Sundries	150		
	£17 450		
Balance at 9th May	£15 440		
WEEK ENDING 16TH MAY			
Revenue Cash sales	3 500		
Account collections	4 700		
Sundries	230		
	£8 430		
Expenditure Debenture interest	5 000		
Bought ledger	12 600		
Salaries and wages	540		
Petty cash	60		
Sundries	250		
	£18 450		
Balance at 16th May	£5 420		

shows how much there should be at the bank. The balance is, therefore, known only to the head cashier and any principals or executives who are entitled to the information, whereas if the balance was shown in the Cash Received Book or Cash Payments Book, it would be common knowledge, as these books are in general use for posting and tracing receipts and payments.

The head cashier must watch his bank balances closely and, with the assistance of the chief accountant, prepare his own budgets, estimating the income and expenditure for each week, and looking months ahead all the time, especially if Cash
Estimates he has heavy interest or dividend payments to meet

in some months. If the firm is short of working capital his object will be to "make both ends meet" and keep down the interest on overdrafts and loans without sacrificing discounts, and, if the firm has ample capital, his object will be to make as much money as possible available for investments or deposits at interest.

A form of Cash Estimate commonly used by cashiers is illustrated on page 426. On this form the cashier afterwards records the actual income, expenditure and balance for each week alongside his estimate, so that he can see how much the results are "up" or "down" on his estimates and adjust his advance estimates of balances accordingly. He may also adjust his advance estimates of income and expenditure every week, in the light of information obtained from the chief accountant regarding sales and commitments.

CHAPTER XIX

ACCOUNTING

MUCH of the work of the counting house in its relations with other departments has been described in previous chapters. There remains to be dealt with in this chapter the organization of the counting house itself and its internal work particularly in connection with the assembly of figures for the purpose of preparing trading and profit and loss accounts and balance sheets.

The organization of a typical retail counting house falls naturally into three groups of sections as follows—

(1)	(2)
Sales Tabulation	Purchase and Expense Recording
Sales Ledgers	Bought Ledgers
Account Collection	Salaries and Wages
Credit Sanction	Petty Cash Audit
(3)	
Nominal Ledgers	
Account Preparation	
Statistics	

In a large organization each of these sections will provide work for a number of clerks and each group will be under the control of a manager responsible to the chief accountant for the working of the sections in his group. If the cashier's department is under the control of the chief accountant this may be looked upon as a fourth section of the counting house.

The tabulation of sales is a vital function upon which the smooth working of the general system depends. Speed is an important point here because the management must know the sales figures for each day as soon as possible; the salesmen's commission must be paid promptly; the cash takings must be reconciled; and the sales ledger clerks must have details of the credit sales for posting purposes.

In cash-and-carry trade where cash registers are used the sales figures can be obtained very quickly by adding together the totals shown on all the registers at the end of the day. In other cases where sales checks are used the carbon copies of these checks usually form the basis of the tabulation. The figures may be

obtained by collecting all the salesmen's check books at the end of the day and listing the items but, where additional copies of the sales checks are provided for the counting house, and sent there either through the sanction desk or through the cashier's department, these may be used for the tabulation.

In high class business or heavy trades, such as furniture, where the number of transactions is small and the individual amounts are large, the sales may be recorded separately in a Sales Journal similar to that illustrated on page 430. With this class of business the majority of the transactions are likely to be on credit and it may be desirable to open ledger accounts for the cash customers in order to have a record of their purchases. The Sales Journal gives all the information required for the posting of the Sales Ledger accounts and provides analysis columns in which the items can be allocated to the various departments or sections of stock. It also gives particulars of the salesmen's commission which may, in such cases, be posted to the credit of the individual salesmen's accounts in a commission ledger.

Where there are a large number of small transactions, many of them "cash and take," it will be a waste of time and an unnecessary expense to enter the individual transactions in the Sales Journal. The copying of details must be avoided and the figures must be summarized and dealt with in totals as far as possible.

Some of the work of tabulation may be given to the salesmen, by making them prepare a daily summary of their sales (see page 271). The tabulation clerks can then prepare their totals from these summaries, although they may be instructed to check the summaries with the copies of the sales checks, if this work is not entrusted to the departmental managers.

In order to provide the figures required, the sales may have to be analysed in several different ways. For example it may be necessary to record the sales for each salesman for commission purposes, the sales for each department for trading account purposes and the sales for each class of transaction (cash, C O D, entry, etc.) for reconciliation purposes. The specimen Sales Analysis on page 431 shows in simplified form the way in which the figures may be marshalled and recorded after tabulation.

Sales
Journal

Summarizing
and
Analysing
Sales
Figures

SALES JOURNAL

Date	Sales Check No	Customer	Goods	Price	Amount	Sales Ledger Folio	Analysis		Salesman	Com missions
							Cabinet Furni- ture	Uphol- stered Furni- ture		
1931 May 1	387	Maitheys John The Grange Midscombe	Jacobson carved oak settee No 154 Easy chair to match No 155	£ 7 2 48 10 19 5	£ 7 2 63 13		£ 7 2	£ 5 2		£ 1 6 1 12 10
	439	Hemmings Mrs Conway Court Seay	Mahogany break front dining cabinet No 677	57 10	57 10	H 31	57 10		Green	1 6 9
609		Pendleton J B Hurst Manor Harnage	Mahogany bureau bookcase No 709	17 17	17 17	P 91	17 17		Footling	6 10
610		Whitaker Samuel The Laure Dartmouth	Mahogany two fold card table No 843 Library book case No 96	8 6 12 18 6	18 6 6	17 38	6 6	12 12 6	"	9 7
844		Caddy B M New House Leigh	Box ottoman No 107	5 15 6	5 15 5	C 64		5 15 6	Irving	2 10
845		Symptom Mrs Park Place Hove	Carved oak sideboard No 642 Oak month's bench No 720	18 18 5 19 6	23 17 6	S 53	23 18 5 19 6		"	12 6

SALES ANALYSIS

Friday, 1st May, 1931

Salesman	Check Numbers	Department				Total	Cash Sales	CWO (Post)	COD	Sales Ledger	Salesman's Commission
		Ironmongery		China	Glass						
Norton	1327-30	£ 84	£ 6	£ 2	£ 4	£ 96	£ 84	£ 2	£ 10	£ 116	£ 1
Smith	1501-28	12	10	2		24	12	12		24	3
Dewberry	1532-41	12	2	9		23	12	11	10	33	3
Jenkins	0111-44	12	8	8		28	12	16		28	3
Watts	1014-50	8	8	10		26	8	18		26	2
Carr	2071-57			15	11	26	15	11		26	3
Morley	1402-59			12	16	28	12	16		28	3
Adams	1822-61			23	1	24	23	1		24	3
Kend	1603-60			9	4	13	9	4		13	2
Lewis	1726-60					12	12			12	2
Seamless	1202-62					8	8			8	2
Tombles	1177-62					10	10			10	2
		£ 71	£ 31	£ 60	£ 13	£ 165	£ 165	£ 12	£ 3	£ 180	£ 1

One great advantage of the triplicate sales check system, which gives the counting house its own loose copies of the sales checks, as distinct from those left in the salesmen's books, is that these loose copies can be used for posting the sales ledgers, for writing up the C O D Register, and for marking off the C W O items in the Cash Received Book. This means that the details need not be copied into the Sales Journal. It will be sufficient to enter in the Sales Journal the totals for each class of business, with the departmental analysis, and any other figures which may be required for the posting of the Nominal Ledger, or for statistical purposes.

The C W O, C O D, and credit sales checks are separated into bundles in the process of tabulation and sorted into alphabetical order to facilitate posting or tracing and are then passed to the posting clerks with an adding machine slip which reconciles the individual items with the total amount entered in the Sales Journal. Adding, tabulating, and calculating machines should be used as much as possible to lighten and speed up the work of the counting house and to economize on wages.

If the particulars of the C W O, C O D, and credit sales must be taken from the salesmen's check books, it will be necessary to enter the particulars required by the posting clerks on sheets, with a separate sheet for each clerk, i.e. one for C W O sales, another for C O D sales, and one for each of the Sales Ledgers. The totals of these posting sheets must be reconciled with the entries in the Sales Journal.

The total sales are posted from the Sales Journal to the credit of a "Sales Account" in the Nominal Ledger. Where there are a number of departments, the Nominal Ledger accounts will probably have analysis columns for the departments, enabling the departmental figures to be posted with the totals.

On the principle of double entry the amounts credited to "Sales Account" must be debited to accounts representing the customers, or payments made by customers. The cash sales totals in the Sales Journal will be debited to a "Cash Sales" account in the Nominal Ledger, and to this account will be credited the "Cash Sales" totals from the Cash Received Book (see page 402). As these items are contras, this

account should balance daily and any difference should be inquired into immediately. If the cashier's summaries give the totals for each salesman it will be a simple matter to localize any error or omission.

The C W O sales figures representing mail orders accompanied by cash will be debited to a C W O Suspense Account in the Nominal Ledger and to this account will be credited the C W O totals from the Cash Received Book. The C W O Suspense Account may not balance daily as the sales checks may not be made out on the day the cash is received or it may not be possible to meet the customer's requirements at all. The credit balance of this account will therefore show the total value of the C W O orders which have not yet been executed and would appear on a balance sheet as a liability for Customers Payments in Advance.

Cash with
(Mail) Order
Sales

If the C W O entries in the Cash Received Book are marked off by entering the sales check numbers after the sales checks have been tabulated the total of the unmarked items at any time should agree with the balance of the C W O Suspense Account. If money has to be returned to C W O customers owing to the goods not being available the refund must be posted from the Cash Payments Book to the debit of the C W O Suspense Account and the customer's payment marked off as refunded in the Cash Received Book.

The C O D sales totals in the Sales Journal will be debited to a C O D Suspense Account in the Nominal Ledger and to this account will be credited the C O D totals from the Cash Received Book. The C O D Suspense Account will certainly not balance daily as time must be allowed for collection. The balance of this account therefore represents the total value of the C O D transactions in process of collection and appears on a balance sheet as an asset under Sundry Debtors being a sum due from customers.

Cash on
Delivery
Sales

If the C O D sales are recorded in a C O D Register (see page 287) and the collections as recorded in the C O D column of the Cash Received Book are marked off against the corresponding items in the C O D Register the total of the unmarked items at any time should agree with the balance of the C O D Suspense Account.

The credit sales totals in the Sales Journal will be debited to a "Sales Ledger Control Account" in the Nominal Ledger, and to this account will be credited the totals from the 'Sales Ledger' column of the Cash Received Book

Credit
Sales

The balance of this account will, therefore, represent the total amount due from Sales Ledger customers. The credit sales will be posted to the debit of the individual customers' accounts in the Sales Ledger after the sales checks have been tabulated, and the customers' payments, as recorded in the Sales Ledger column of the Cash Received Book, will be credited to their accounts. The total of the Sales Ledger balances at any time should agree with the balance of the Sales Ledger Control Account.

The Sales Ledger Control Account acts as a summary of the customers' accounts and a check on the Sales Ledger postings, because if any mistake is made in posting items or bringing down balances, the total of the Sales Ledger balances will not agree with the balance of the control account and the amount of the difference will be a clue to the mistake. When several Sales Ledgers are in use, each of them should have its own control account in the Nominal Ledger, and its own analysis column in the Sales Journal and Cash Received Book so that the correctness of the balances in each ledger may be proved separately, and any search for errors will be localized.

Credit notes should be recorded separately in a Credits Journal with a similar ruling to the Sales Journal, and the totals should be posted to the debit of the sales accounts and to the credit of the various control accounts in the Nominal Ledger, offsetting the original sales postings. Credits to account customers will be posted from the Credits Journal to the credit of the Sales Ledger accounts.

Credit
Notes

Refunds of cash will be posted from the Cash Payments Book to the debit of the control account to which the credit note is credited.

The work of the purchase and expense recording sections of the counting house has been dealt with in Chapter XVIII.

Recording
Purchases
and
Expenses

The purchases and other commitments are tabulated by entering the individual items in a Purchases Journal (see page 409), and analysis columns are used to marshal the items under the desired headings, e.g. under the names of the various selling departments,

or the various classifications of expense. The Purchases Journal is ruled off monthly (weekly in shops where weekly accounts or statistics are prepared) and the total amount of the sums which have been credited to Bought Ledger accounts is posted to the credit of a Bought Ledger Control Account in the Nominal Ledger. This account acts as a summary of all the Bought Ledger Accounts, just as the Sales Ledger Control Account acts as a summary of all the Sales Ledger accounts.

The totals of the Bought Ledger column in the Cash Payments Book are debited to the Bought Ledger Control Account and the total of the Bought Ledger balances at any time should agree with the balance of the control account. Where several Bought Ledgers are in use, each of them should have its own control account in the Nominal Ledger and its own columns in the Purchases Journal and Cash Payments Book.

Suppliers' credit notes for returns or allowances should be entered in a "Returns Journal" with a ruling similar to the Purchases Journal, and be posted to the debit of the suppliers' accounts in the Bought Ledger. The totals should be posted to the debit of the Bought Ledger Control Account and to the credit of the various purchase or expense accounts in the Nominal Ledger, offsetting the original postings to which the credits refer.

Salaries, wages, and national insurance, and commission overtime, and other payments made with the wages will be posted from the Cash Payments Book to the debit of the appropriate expense accounts in the Nominal Ledger. Salaries
and Wages Where a departmental analysis or other form of subdivision is required, the necessary details must be given in the Cash Payments Book or in some other book from which they can be posted. If there are a large number of wages sheets, they may be summarized in a 'Wages Analysis Book' in order to provide the figures required for posting the Nominal Ledger accounts. The total amount drawn on wages day will then appear in one amount in the Cash Payments Book, and will be posted from there to the debit of a "Wages Suspense Account" in the Nominal Ledger. The posting of the Wages Analysis Book will have the effect of closing this account, by a corresponding credit, and debiting the correct proportions to the various expense accounts covered.

The procedure in regard to petty cash expenditure is similar. If the details are not too numerous the analysis required for posting the Nominal Ledger may be entered in the Cash Payments Book but where there are several petty cashiers, or the items cover a large number of nominal ledger accounts the Petty Cash statements may be summarized in a Petty Cash Analysis Book, from which the Nominal Ledger postings will be made. It will then be necessary to have a Petty Cash Suspense Account in the Nominal Ledger, to which the totals from the Cash Payments Book will be debited and the totals from the Petty Cash Analysis Book will be credited.

In some counting houses suspense accounts are dispensed with and postings are made directly from the Cash Payments Book to the Analysis Books, but this practice is frowned on by auditors as it amounts to cross posting between books of prime entry. The posting of all items to the Nominal Ledger gives the clerk keeping that ledger—usually a senior accountant—an opportunity to satisfy himself that the analyses are being properly reconciled, and any cross posting between the cash books and journals defeats this.

Another objectionable practice which should be forbidden is cross posting between ledger accounts, because this may be used by clerks to correct an error they have made, to "wangle" the adjustment of a difference, or even to perpetrate a fraud. For example, Bought Ledger clerks have been known to transfer balances unclaimed by suppliers to the credit of a supplier who is a friend of theirs. Furthermore, inexperienced clerks making *bona fide* transfers may do so in a way that will upset the ledger control accounts or cause a difference in the books.

In view of this a "Transfer Journal" should be provided for transfers between accounts, and it should be made a rule for every entry in this journal to have a satisfactory explanation or 'narration' under it. In some counting houses a clerk wishing to transfer an item from one account to another has to make out a "Journal Voucher," i.e. a memorandum giving full particulars of the transfer and the reason for its being made, and get this signed by the chief accountant before the item can be entered in the Journal. These vouchers are filed away for future reference, in the order of appearance in

the Journal A specimen form of Transfer Journal is illustrated below and a Journal Voucher on page 438

TRANSFER JOURNAL

Date	Journal Voucher No	Particulars	Folio	Debit			Credit			
1932 Mar 27	821	Advertising Dr to Carnage Overground Railway Showcase Rent charged to Carnage in error	N L 45 N L 57	£ 1	s 10	—	£ 1	s 10	—	
28	822	Smith, Mrs of 46 London Road, Parkly Dr to Smith Mrs of 137 Sunny Lane Parkly Adjusting item charged to wrong customer's account	S L 135 S L 137	15	11			15	11	
28	823	Oak Paper Company Bought Ledger Account Dr to Oak Paper Company Sales Ledger Account Transfer of Contra Account at request of O P Company Bought Ledger Control Account Dr to Sales Ledger Control Account Adjustment in respect of above transfer	B L 68 S L 294 N L 103 N L 127	6	9	2		6	9	2

The classification of expenses is a very important matter especially where budgetary control is in operation, and it is advisable in every counting house to draw up a schedule showing the classification headings to be used in analysing expenses, and the kinds of expenditure to be included in each classification. A copy of this schedule should be given to every clerk who takes part in the recording or checking of expenses. Unless this is done, there is danger of inconsistency, for example, one clerk might be charging circular letters to customers to "Advertising" account while another is charging them to "Stationery and Printing," or one clerk might be charging showroom direction signs to "Premises Expenses," while another is charging them to "Display Expenses." Such inconsistencies make the expenses figures shown to the principals on the profit and loss account deceptive, and also affect comparisons between the figures

Classification
of
Expenses

for different years. They may, therefore, lead to errors of judgment being made, particularly in budgeting expense limits for an ensuing year.

JOURNAL VOUCHER									
Date 27th March 1931				No 821					
Particulars				Debit			Credit		
Advertising				£	s	d	£	s	d
Dr to Carriage				1	10	-	1	10	-
Rent of showcase at Parkly Station year to 25th March, 1932 payable to Overground Railway Company									
Charged to Carriage' in error									
See Purchases Journal folio 175 20/3/31									
Voucher prepared by H Walters		Sanctioned by G Jenkins Chief Accountant		Journal entry made by H Walters			Transfer Journal folio 68		

The principle to be followed in arranging the classification of expenses is to group the items under natural and distinctive headings and to avoid combining expenses which are not related to one another. The division of the responsibility for commitments should govern the classification to a considerable extent. For example, if there is a "Display Manager, the 'Display Expenses' account should cover all his commitments, but it should not cover expenses for which he is not responsible.

In many cases it will be necessary to subdivide the classifications to permit of regrouping for example, although in the profit and loss account of the business "Salaries and Wages" may be shown in one amount, or divided into "management salaries," "salesmen's

salaries and 'office salaries' for statistical and budgetary control purposes they may have to be subdivided into departments. Rents and other premises expenses, advertising, display and other expenses may also be apportioned between the selling departments for the purpose of departmental trading accounts.

In such cases the nominal ledger accounts should be provided with analysis columns to permit of the expenses being charged to the various selling departments either as the items are debited to the accounts or as the analysis figures from the spending departments are obtained. The basis of costing the expenses to the selling departments varies according to the nature of the expense and has been described in the preceding chapters in dealing with the work of the various spending departments.

A 'Classification of Expenditure' showing how the items of expenditure of a typical retail business are grouped under account headings, is illustrated below. It may be noticed that in some cases the schedule mentions items which must *not* be charged to the particular account. This is of great importance where the method of classification is in any way unusual and there is danger of misunderstanding.

XYZ STORES. LIMITED

CLASSIFICATION OF EXPENDITURE

1 PURCHASES OF MERCHANDISE (Stock)

2 MANAGEMENT SALARIES

Managing director
Merchandise manager
Advertising manager

Secretary
Chief accountant
Staff manager

3 DEPARTMENTAL SALARIES AND COMMISSIONS

Buyers
Salesmen
Storekeepers

Apprentices
Buyers' commissions
Salesmen's commissions

4 OFFICE SALARIES

Management offices
Counting house
Cashiers
Mail order room

Correspondence department
Telephone room
Clerks' overtime

Charging
Expenses to
Departments

Specimen
Classification

5 SERVICE WAGES

Receiving room	Messengers
Window dressers	Cleaners
Timekeepers	Service overtime
Doormen	

6 DISPATCH WAGES

Dispatch manager	Van porters
Inspectors	Drivers
Packers	Garage men
Inside porters	Dispatch overtime
Dispatch clerks	

7 NATIONAL INSURANCES

Health	Unemployment
--------	--------------

8 RENT AND RATES

Rent	Water rate
Rates	Warehousing

9 LIGHTING HEATING AND POWER

Electricity	Coal and fuel
Gas	Not lamps and spars

10 INSURANCES

Fire and flood	Plate glass
Employer's liability	Not National Insurance
Burglary	Not motor insurance
Fidelity	

11 ADVERTISING

Press space	Catalogues
Art work	Circulars and leaflets
Copywriting	Addressing
Illustration blocks	Postage on circularization
Posters	Press cuttings
Billposting	

12 DISPLAYS AND TICKETS

Display materials	Show cards
Flowers and plants	Tickets
Direction signs	

13 PACKING MATERIALS (Stock)

Boxes	Wrapping paper
Bags	String

14 GARAGE STORES (Stock)

Petrol	Tyres
Oils	Spares

15 DISPATCH EXPENSES

Packing materials used
 Carriage
 Parcel postage
 Motor licences
 Motor insurances

Garage stores used
 Hire of vans
 Drivers and porters expenses
 Motor repairs
 Painting vans

16 HOUSE STORES (Stock)

Cleaning materials
 Domestic supplies

Electric and gas spares

17 HOUSE EXPENSES

Uniforms and overalls
 House stores used
 Window cleaning
 Decorating

Repairs to premises and equipment
 First aid dressings

18 STATIONERY STORES (Stock)

Notepaper
 Envelopes
 Account books

Check books
 Carbons
 Office supplies

19 STATIONERY AND PRINTING

Stationery stores used
 Printed forms
 Books for staff library

Not advertising matter
Not packing materials
Not display tickets

20 POSTAGE STAMPS (Stock)

21 POSTAGES AND TELEPHONES

Stamps used
 Telephone charges
 Internal telephone maintenance

Telegrams
Not parcel postage

22 SALESMEN'S EXPENSES

Fares
 Hotel expenses

Entertaining
 Incidentals

23 SUNDRY EXPENSES

Agreement stamps
 Cheque books

Bank charges on collections
 Gratuities

24 DIRECTORS FEES

25 AUDIT FEES

26 LEGAL EXPENSES

27 DONATIONS AND SUBSCRIPTIONS

Donations to charities
 Subscriptions to trade associations

Grants to employees (sickness)
 Grants to employees dependents (death)

28 RENEWALS OF MINOR EQUIPMENT

Typewriters
Scales
Utensils

Tools
Fire fighting appliances

29 EQUIPMENT MOTOR VEHICLES (Capital)

30 EQUIPMENT SHOWCASES AND SHOP FITTINGS (Capital)

31 EQUIPMENT SEWING MACHINES (Capital)

32 EQUIPMENT ELECTRIC MOTORS (Capital)

The word *stock* after an item means that expenditure under this sub-heading is to be considered as a *purchase* rather than an expense and to be charged to the spending department as stock until such time as that department accounts for it as having been sold or used. This distinction is very important in the case of retailers who buy house supplies in large quantities in order to secure wholesale prices.

Another class of expenditure requiring special treatment is capital expenditure. The clerks must know which items of equipment are to be capitalized and which are to be charged

Purchases of Equipment as renewals. In this connection the procedure followed will largely depend upon the arrangements

made with the income tax inspectors regarding wear and tear allowances. The rates allowed by the inspectors vary considerably between different classes of equipment as the following examples show—

Motor vans and lorries	20 per cent per annum
Sewing machines	10
Electric motors	7½
Machinery	7½
Engines, boilers and shafting	5
Showcases and fixtures	5

All these allowances are calculated on the diminishing value of the articles i.e. after deducting any wear and tear already allowed in previous years. The effect of this is greatly to increase the book life of an article. For example, if 20 per cent per annum is written off the diminishing value of a motor van costing £200 it will still have a book value of over £65 at the end of five years.

With items of equipment which have a short life and therefore have to be renewed every few years such as typewriters, scales,

and tools, the retailer has the right to forgo the wear and tear allowance and charge the cost of renewals as an expense instead and he will be well advised to do this, as the allowance he would receive may be quite inadequate to cover the depreciation in value. For example inspectors of taxes will only allow 5 per cent per annum on typewriters, although in most busy offices they have to be renewed every three or four years.

**Charging
Renewals**

The nominal ledger accounts covering equipment should, therefore, be arranged to provide a separate account for each 'income tax' class of equipment, for example, one for motor vans, a second for sewing machines, a third for showcases and fixtures, and a fourth for typewriters and minor items which are dealt with on a renewal basis.

The retailer must write 'depreciation' off his equipment accounts at least sufficient to cover the wear and tear allowances he claims from the inspector of taxes, and items treated as "renewals" must, of course, be written off against profits. If he does not consider the rates of wear and tear allowed by the Inspector of Taxes to be an adequate provision for depreciation he may make his depreciation rates higher than the rates allowed, without affecting the tax position.

**Depreciation
of
Equipment.**

The balances of equipment accounts kept separately in the Nominal Ledger may, of course, be shown in one amount in a balance sheet.

Where a retailer has made an investment in the purchase of his premises, he may have to depreciate their book value. Freehold property is rarely written down in book value, although, in some cases, retailers consider it prudent to set aside a certain sum out of each year's profits as a "reserve" to cover the cost of any rebuilding or modernization which may be in prospect and thus amounts to the same thing. The book value of leasehold property must, however, be depreciated or "amortized" annually by a charge to profit and loss account, with the object of writing it off entirely by the time the lease expires and the property either has to be given up or a new lease obtained at further expense. This means that if a retailer buys a 40 years' lease for £3,000 he should write off at least £75 per annum as "Amortization of Leasehold". If any

**Depreciation
of
Property**

RETAILER & SONS, LIMITED

Dr TRADING AND PROFIT AND LOSS ACCOUNT

YEAR ENDED 31st JANUARY 1931

Cr

	£	s	d
Stock at 1st February 1930	2	59	14
Purchases	11	247	8
Gross Profit earned down	3	948	19
	£17	787	1

	£	s	d
Sales less Returns and Allowances	14	311	7
Stock at 31st January 1931	3	475	14
	£17	787	1

Salesmen's Wages and Commission	1	158	11
Managing Director's Salary and Commission	4	38	15
Office Salaries	2	74	9
Advertising	3	54	12
Ground Rent Property Tax and Rates	2	68	12
Electricity Gas and Fuel	4	83	10
Repairs and Renewals	3	46	6
Insurances	2	169	1
Dupatch Expenses and Packing Materials	9	128	8
Stationery and Printing	1	43	6
Display Materials Showcards and Tickets	-	32	11
Postages Telephones and Sundries	5	31	3
Directors' Fees	8	40	-
Trading Profit carried down	-	1	332

Gross Profit brought down	3	948	19
Cash Discounts	8	201	6
Rents Received	2	185	-
Interest	-	6	4

	£4	341	9
Amortization of Leaseholds	96	8	3
Depreciation of Equipment	82	6	-
Addition to Reserve for Bad Debts	30	-	-
Net Profit for year	1	123	8
	£1	332	2

Trading Profit brought down

	£4	341	9
	1	332	2

	£1	332	2
--	----	-----	---

liability for dilapidations is likely to be incurred, this should also be made the subject of a reserve

Reserves for rebuilding, amortization of leaseholds, or dilapidations are not chargeable against profits for income-tax purposes

In some cases a retailer may consider it proper to "carry forward" a proportion of a certain item of expense as an asset, thus spreading

the expense over more than one financial year For example, if a retailer's financial year ends on the 31st March and during March he has participated in

a public exhibition at considerable expense, he may carry forward a large proportion of this expense on the ground that the benefit of the exhibition will not be felt until the following financial year

Similarly, a retailer who turns his business into a limited company may spread the preliminary expenses over several trading years. The cost of forming a limited company is not allowable as an expense for purposes of income-tax assessments

The illustration on pages 444 and 445 shows the simple form in which the annual accounts of a retail business are commonly prepared

Annual Profit
and Loss
Account and
Balance
Sheet

Although the annual accounts of a business, giving the trading results and balance sheet figures in their final form, are the *coup de grâce* of the year's work from the counting house viewpoint, and are of paramount importance in the eyes of the directors, shareholders, auditors, and income tax authorities, they are not of much assistance to the managers of the business, who must follow the trading results more closely, i.e. from week to week or from month to month, and have more details

In most businesses, therefore it is necessary for the counting house to prepare weekly or monthly "interim" accounts for the

Interim
Accounts

use of the management, extracting, from the mass of detailed information in the books of account, the figures of interest to the management, and presenting them in a form which facilitates a study of the trend of business, as a guide to policy, and also enables comparisons to be made with targets, or corresponding results in previous periods.

Where budgetary control of expenditure is in operation, it is essential for the management to have interim statements showing the income and expenditure figures compared with the budget

estimates. If, as is generally the case, the sanctions for purchases or expense commitments are made in monthly amounts, a monthly statement should be submitted to the management, with cumulative figures showing the budget figures and actual results for the expired period of the current financial year. A statement of this kind is illustrated on page 448. Such statements enable the principals to satisfy themselves that the sanction limits are being enforced and provide a basis for the revision of the limits for future months. For example, if the sales turnover has fallen below the budget figure, future sanctions may be curtailed, but if the budget sales figure has been exceeded, supplementary sanctions may be granted.

Income and
Expenditure
Accounts

It is important to note that such statements are "income and expenditure accounts," as distinct from "profit and loss accounts." The expenditure is not necessarily relative to the current month's business, and the difference between the sales and purchases figures may be little or no indication of the gross profits earned.

To turn such a statement into an "estimated profit and loss account," it will be necessary to adjust the expenses, adding any commitments, applicable to the month, which are not yet in the books, and deducting the unexpired portion of any prepaid items, also to substitute for the "purchases" figures, the estimated cost of the goods sold. This estimated cost is found by deducting from the sales figures the percentage of gross profit anticipated on them. For example, if a department is known to make 30 per cent gross profit on its sales and the sales figure is £1,000, the cost of the goods will be estimated at £700. The percentage used for this purpose must be a pessimistic rather than an optimistic figure, not the target gross profit figure for the business or department, but the figure which can reasonably be expected, having regard to past achievements.

Estimated
Profit and
Loss
Accounts

Where a business is composed of a number of distinctive departments, as in the case of a department store, the estimated profit and loss accounts may be designed to show not only the gross profit earned by each department, but also the expenses chargeable against this gross profit and, by comparing these figures, the contribution which each department is making towards the net profits of the business. A weekly

Departmental
Accounts

MONTHLY STATEMENT OF INCOME AND EXPENDITURE (BUDGETARY CONTROL)

Hardware & Co. Ltd		Month of May 1931			Cumulative Figures 1st Feb to 31st May 1931		
		Actual	Target	Plus or Minus	Actual	Target	Plus or Minus
Sales		£	£	£	£	£	£
Ironmongery		1 262	1 200	62	4 384	4 000	384
China		847	800	47	2 591	2 500	91
Glass		468	500	32	1 430	1 800	370
Total		£2 577	£2 500	£77	£8 405	£8 300	£105
Purchases							
Ironmongery		686	700	14	2 462	2 500	38
China		477	500	23	1 757	1 800	43
Glass		446	500	54	1 328	1 400	72
Total		£1 609	£1 700	£91	£5 547	£5 700	£153
Expenses							
Salesmen's wages and commission		131	125	6	518	500	18
Management salaries		75	75		300	300	
Office salaries		38	40	2	151	160	9
Rent and rates		77	80	3	314	320	6
Lighting heating and power		21	20	1	105	100	5
Repairs and renewals		24	10	14	76	50	26
Insurances		5	5		48	50	2
Dispatch and packing		41	40	1	126	120	6
Advertising and display		46	50	4	171	180	9
Stationery and sundries		18	15	3	82	75	7
Total		£476	£460	£16	£1 891	£1 855	£36
Total expenditure		£2 085	£2 160	£75	£7 438	£7 555	£117
Surplus of income over expenditure		£492	£340	£152	£967	£745	£222

SUMMARY OF ESTIMATED DEPARTMENTAL RESULTS

Week Ended 25th April 1931

Department	Sales	Gross Profit		Departmental Wages and Commission	Direct Charges	Establishment Charges	Sales Over-heads	General Over-heads	Total Expenses	Net Profit
		Per Cent of Sales	Amount							
Coats	£ 84	% 32	£ 27	£ 6	£	£ 10	£ 2	£ 5	£ 23	£ 4
Costumes	132	30	40	9		12	4	10	35	5
Furs	216	32	69	8	5	12	6	20	51	18
Gowns	250	32	106	12	20	16	10	20	78	28
Haberdashery	72	33	24	6		6	2	5	19	5
Hosiery	138	29	40	8		6	4	10	28	12
Knitwear	120	28	34	9		8	3	10	30	4
Millinery	348	39	136	13	20	18	11	20	62	54
Silks	186	30	56	11		10	5	15	41	15
Undies	162	33	53	9		10	5	10	34	19
Total	£1788	32	£585	£91	£45	£103	£62	£125	£421	£164

Summary of Estimated Departmental Results, prepared on these lines, is illustrated on page 449

In this case, the expenses are charged to the departments under four headings, (1) 'Departmental Wages and Commission,' (2) 'Direct Charges,' (3) 'Establishment Charges,' (4) Sales Overheads,' and (5) "General Overheads". The Departmental Wages and Commission" are the amounts paid to the employees in each department for the week

The Direct Charges include all other items of expenditure which can be allocated directly to the particular departments, for example special advertising, display, or exhibition expenses incurred in connection with the goods of the department

The Establishment Charges are 'rent charges, intended to spread the cost of rent, rates, water, lighting, heating, power, repairs, and all other premises expenses over the departments in proportion to the size and relative importance of the floor space they occupy. Each department therefore pays an "inclusive" rent of so much per week for its portion of the premises

The "Sales Overheads" include all items which cannot be charged directly to the departments but are considered to vary in proportion to sales. Dispatch costs and packing materials usually come under this heading. These sales overheads are spread over the various departments in proportion to the sales, for example, if the sales overheads amount to 6 per cent of the total sales of the business, each department will be charged a sum equivalent to 6 per cent of its sales. If any department does not derive any benefit from a class of expenditure included under this heading, it may be "exempted" when that particular item is being apportioned. For example, if one department does not give any work to the dispatch department, its sales will be deducted from the total sales of the business before the percentage of dispatch costs to sales is calculated, and the department will be ignored in apportioning these costs.

The "General Overheads" cover all the remaining expenses, that is to say items which cannot be charged directly to the departments and do not vary in proportion to sales. Management salaries and other administrative expenses come under this heading. These general overheads are spread

over the departments in accordance with percentages dictated by the management who will take into account the general importance of the departments the amount of supervision they require and the amount of work they give to the house departments whose costs are included in the general overheads. If for example the management considers that a certain department should bear 10 per cent of the general overheads that department will be charged 10 per cent of the general overheads for each week.

The object of this subdivision of expenses into various classes of overheads is to apportion them as fairly as possible between the departments and the subdivisions are shown on the weekly summary in order that the principals in considering the results may know how the figures have been arrived at for example how much of the amount charged to a department consists of expenses directly connected with it and how much consists of apportioned overheads.

Apart from the figures of sales expenses and estimated profits the interim statements may contain many other figures of interest to the principals including percentages showing the relation of each item of expense and profit to the sales or the relation of each item to the corresponding figure for the business as a whole also comparative figures and differences showing the relation of the results to the target figures for the period or the results for the corresponding period of the previous year.

Although commonly met with the practice of comparing weekly trading results with those of the corresponding week of the previous year is objectionable because the comparison is often unfair. A decrease shown in comparison with the previous year's figures may be due to the fact that the previous year's figures were abnormally high and an increase may be due to the fact that the previous year's figures were abnormally low. It is therefore dangerous to use such figures in complimenting or criticizing departmental managers on their results. It is far more satisfactory to compare the results with target figures which show what the departments are expected to achieve because although these targets may be based on past results or averages any abnormal figures may be excluded in fixing them and allowance may be made for any changed conditions or unusual circumstances affecting the anticipated results.

Other statistics which may be prepared at intervals for the use of the principals and considered by them in conjunction with the

trading results include—

Statistics
Estimated stocks average stocks during a period and stock turns

Mark ups and mark downs

Number of transactions and average value per transaction

i.e. Average Check

Floor space occupied and sales per square foot

Ratio of cash to credit business

Ratio of take parcels to send parcels

Ratio of counter sales to mail order sales

Stock turns and their computation have been dealt with in Chapter VI Briefly these figures show at what average rate the stock is being turned over and are some indication of its freshness a very important matter in the case of foodstuffs perishables or fashion goods

Stock Turns
Mark Ups and
Average Checks
Mark ups and mark downs have been dealt with in Chapter VII Briefly these figures show what margin for profit is being put on new goods and the average sacrifice which has to be made in order to clear them They therefore show whether the business is of a speculative or stable character and may explain unsatisfactory profits or fluctuations in stocks

Average check calculations have been dealt with in Chapter VIII where examples of the use of stock turn mark up and average check figures in reviewing trading results and forecasting future turnover have been given Briefly the average check shows the average amount spent by the customers and is some indication of the class of business done or of the purchasing power of the customers at the time

Statistics showing the area of floor space occupied by the various departments and their sales per square foot of space occupied are of particular value in the furnishing and similar trades where considerable space is required and the success of the business may largely depend upon the way in which the space is allocated to the various departments especially if the establishment expenses are high or the total floor space available is somewhat inadequate for the business In such cases floor space is recognized as a vital factor

Sales per
Square Foot
of Floor
Space

in sales promotion and is given to the department which promises the best return for it. Study of the sales per square foot may therefore result in some floor space being taken away from departments which show poor returns and given to the departments which show good returns.

The ratio of cash to credit sales will be disclosed on the Sales Analysis (see page 431). Cash on delivery and cash with order sales will of course be classed as cash. The departmental figures may be extracted and shown as a percentage of the total sales e.g. Lampshade Department cash 35 per cent credit 65 per cent. Study of these figures may induce retailers with small capital to extend the departments which show the highest proportion of cash sales in preference to those which show the highest proportion of credit sales.

The amount of capital absorbed by the credit sales of a department may be estimated by multiplying the average weekly turnover of credit sales by the average number of weeks credit the retailer has to give. For example if the average sales turnover of the lampshade department is £100 per week and the ratio of cash sales to credit sales is 35 per cent 65 per cent the average weekly turnover of credit sales is £65. Now if the total amount due from customers on sales ledger accounts averages £5 600 and the average credit sales per week of the business as a whole amount to £800 the average number of weeks credit given is 7. Therefore the amount of capital absorbed by the credit sales of the Lampshade Department may be estimated at £455 (£65 × 7). A high proportion of credit sales coupled with a low rate of stock turn in costly goods may make a department very embarrassing to a retailer with small capital.

The ratio of take parcels to send parcels may be noted in tabulating the sales checks by recording the take sales and send sales in separate totals for each department and giving the number of transactions covered by each total. It will then be possible not only to state the proportion of deliveries for each department but also to state the average value of the deliveries for example—

CHINA DEPARTMENT			
	Taken	Delivered	
Proportion	15%	85%	
Number of parcels	63	337	
Total value	£4 4	£80	6 6
Average value	1 4	4	6

Ratio of
Takes to
Deliveries

These figures will have considerable importance if the dispatch costs are high and may affect the policy in regard to the extension or restriction of departments for example discrimination will be shown against a department which has a high proportion of deliveries with a low average sales value

The ratio of counter sales to mail order sales may also be noted in tabulating the sales checks if the sales checks covering mail orders are marked as such Figures showing the proportion of mail orders in each department and the average value of these mail orders will be of great assistance in considering the work of the mail order department They will enable a Mail Order Profit & Loss Account to be prepared by calculating the gross profits on the sales, according to the figures of the various departments and charging against these the expenses of the mail order department itself and such other departmental advertising dispatch establishment and overhead expenses as may fairly be attributed to the mail order business

The departmental figures will also show which department is most popular with mail order customers and which department is bringing in the most profitable mail orders information that will be valuable in allocating mail order catalogue and advertising space to the selling departments

The average cost of executing a mail order i.e. the number of transactions divided into the total expenses may be ascertained and compared with the average value of the mail orders for the various departments and the gross profit on them This will show up any department whose goods cannot profitably be sold through the post owing to the low average value of the orders obtained

Generally speaking it is a waste of time to prepare weekly statistics of stock turns mark downs average checks sales per square foot or the ratio of one class of business to another as unusual transactions or the influence of the weather or public holidays may make such figures quite abnormal and of no value for comparative purposes There is the further point that the expense of preparing statistics is only justified when they serve a useful purpose in guiding policy, and policies cannot be decided upon on weekly figures In many cases it is sufficient for a statistical report to be prepared quarterly provided that the quarters are so arranged that the figures are

available when questions of policy have to be considered. Each report should give the comparative figures for the corresponding period of a number of previous years as in the case of statistics affecting policy, the trend of business from year to year may be more important than the figures for any one period.

Where a business works to targets prescribed by the management the figures given in the statistical report should be accompanied by the target figures in order to show how far the expectations of the management have been fulfilled.

In considering statistical reports it is advisable for the executives to give some thought to the usefulness of the various figures provided in order to eliminate any statistical work which is no longer necessary. Unless this is done there is a tendency, in an organization of any size, for the statistical work to grow out of all proportion to the usefulness of the figures, and clerks may be employed continuously in preparing statistics which no one in authority ever studies. Another objection to unnecessary statistical work is that it delays the preparation of figures that are urgently required. Most managers prefer to have a simple statement of facts within a few days of the close of business for the period rather than a complicated statistical report some weeks afterwards. They also prefer to have a quarterly report coming in promptly at the end of the quarter rather than a monthly report arriving several months behind time. If statistics are to be used as a guide to policy, simplicity and promptitude are essential.

Useless
Statistics

INDEX

ACCOMMODATION shop 37
 Account customers 275 355
 Accounting 428
 Accounts annual 446
 — collection of 369 386
 Acknowledging orders 346
 Additional sales 227
 Address of shop 33
 Addressing parcels 279
 Adjustments customers claims 236
 — 353
 — of prices 116
 Administrative departments 20
 — expenses 392
 Advertising 173
 — agents 193
 — backing up 201 230
 — branch 391
 — credit 361
 — dummy 184
 — for staff 248
 — mail order 335
 — tracing replies 339
 Advice notes returns to suppliers 94
 — to customers 278
 Advising customers 228
 Affection in salesmen 257
 After sales service 127
 Agencies for suppliers 59
 Agreements salesman s 248
 — tenancy 48
 Alliances between shops 166
 Allocation of expenses 439 450
 Allowances to customers 300
 Alterations in prices 116
 — in wages 412
 Amortization of leaseholds 44 443
 Analysing sales 67 429
 — selling prices 134
 Annual accounts 446
 Answering inquiries 225 350
 Antipathy in salesmen 259
 Apathy in salesmen 258
 Apologizing for shortages 310
 Applications for credit 362
 — employment 246
 Appointments staff 248
 Apprenticeship 262
 Approval purchases on 70 91
 — sales on 292
 Aptitude for salesmanship 255
 Area concentration 381

Area of influence 32 38r
 Arrangement of stocks 101
 Assembling sold goods 290 307
 Assembly cards 290
 Assignment of tenancy 5
 Assistants control of 240
 — proficiency 219
 Atmosphere selling 201 220
 Attendance on customers 233
 Attitude of mind salesman s 258
 Audit branch 392
 Augmentation of staff 243
 Automatic machines 2
 Average sale value (Average
 check) 151 452
 Averaging prices 137
 — trading results 153
 Awkwardness in salesmen 259

 BACKGROUNDS display 208 213
 Bad debts 358
 Bait lines mail order 337
 Balance sheet 446
 Bank overdrafts 45
 Banking tak ays 403 385
 Bargain parcels buying 66
 — sales 130 160 184 201
 Bashfulness in salesmen 259
 Basket trucks 307
 Beginners 262
 Billposting 187
 Bills account customers 278
 — cash customers 268
 Black list credit 364
 Block illustration 180
 Blotters advertising 191
 Board of directors 17
 Bonuses customers 143
 — drivers 320
 — salesman s 254
 Bookkeeping 428
 Booklets advertising 191 337
 Books for staff training 264
 Borrowing on mortgage 43
 — overdrafts 45
 Bought Journal 408 434
 — Ledger 408 435
 Box number advertisements 248
 Branch inspectors 392
 — management 382
 — results 392
 Branches 376

- Branding merchandise 59
- Breakages of stock 114
- Broad vision in salesmen 258
- Budgeting expenditure 404 446
- Buildings leases 44
- Bulk stocks 104
- Buyers changing 169
- Buyer's responsibility 56 169
 - visits to suppliers 72
- Buying control of 96
 - property 46
 - route 77
 - stock 56 382
- CALENDARS advertising 131
- Call notes 295
- Calling on customers 232
- Cancellation of orders 80
- Candidates for employment 246
- Canvassing 132
- Capital absorption 357
 - expenditure 406 44
 - working 41 73 357
- Card index to customers 189
- Carriers consignments by 314
- Carry sales 267
- Carrying forward expenses 446
- Cash balance 424
 - control 396
 - desk 268
 - discounts from suppliers 90 408
 - — to customers 146
 - estimates 427
- Cash-on-delivery 286 313 316 433
- Cash payments book 424
 - petty 421
 - railways 273
 - received book 401
 - — docket 401
 - — stamp 348
 - registers 267
 - sales 267 432
 - trading 355
 - tubes 273
 - with order 348 433
- Cash with-order purchases 91
- Cashier's department 396
 - summary 270
- Casual labour 12
- Catalogue library 74
- Catalogues 188 353
- Census of customers' movements 165
- Central buying office 377 382
- Centralization 20 382
- Chain stores 376
- Changes in prices 116
- Changing buyers 169
- Changing goods for customers 30
- Character of business 12
- Chart of organization 20
- Checking suppliers' invoices 85 407
- Checks cash sales 268
 - credit sales 278
- Cheques drawing 410
 - taking 288
- Chutes parcel 307
- Ciphers 88
- Circular letters 188 353
- Claims customers 236 353
- Class distinctions 10
- Classes for salesmen 264
- Classification of expenses 437
- Cleaning premises 55 106
- Clearance sales 130 160 184 201
- Clearing cheques 288
- Clerical expenses 359
- Clerks control of 240
- Clocks time 414 [351]
- Closed accounts investigating 234
- Closing for dispatch 316
- Club discounts 143
- Coaching salesmen 260
- C.O.D. 286 313 316 433
- Codes 88
- Codification of duties 25
- Collecting goods for dispatch 307
- Collection C.O.D. 286
 - of accounts 369 386
 - of goods 295
- Colour in advertising 192
 - — displays 213
- Combined orders 347
 - purchases 382
- Commission salesmen's 250 416
- Commitments control of 96 405
- Committees management 24
- Comparative figures 451
- Compensation for improvements to premises 50
 - — loss of goodwill 51
- Competition among retailers 5 135
- Competition publicity 186
- Complaints customers 236 353
- Compulsory renewal of tenancy 50
- Concessions to customers 142
- Condition of stock 105
- Conduct reports 250
- Conferences 24
- Consignment costs 326
- Consignments to customers 303
- Consumer advertising 4
 - credit 356
- Containers 275
- Contracts with suppliers 61
- Control accounts ledger 434

- Control of branch expenses 388
 - of buying 96 162 405
 - of cash 396
 - of delivery vans 320
 - of expenses 170 403
 - of petty cash 421
 - of prices 137 162
 - of profits 137 162
 - of salaries 411
 - of staff 240 390
 - of stocks 118 383
 - of wages 411 [24]
- Controversies between departments
 - with customers 360
- Conveyors parcel 307
- Co-operation between retailers 168
- Co-operative buying 168
 - societies 5
- Co-ordination of sales promotion 194
 - of selling events 168
- Copy writing 181
- Correspondence department 344
- Costing 126
 - advertising 195
 - credit trading 359
 - dispatch 304 323
 - displays 216
 - mail order 329
 - premises 38
- Counter displays 198
- Counterfoil check 270
- Countersigning sales checks 274
- Counting house organization 428
- Country order cards 290
- Coupon schemes 186
- Credit granting 355 386 453
 - index 367
 - limits 366
 - notes from suppliers 94
 - — to customers 300 434
 - sale system 275 434
- Cross posting 436
- Cultivating customers 350
- Customers finding mail order 335
 - list of 188 235
 - treatment of 217
- Customer's idea of price 136
 - viewpoint 266
- Cuts illustration 180
- Cutting prices 135
- CWO 348 433
- Cycles trade 148
- DAILY summary salesman's 270
- Damage in transit 116 307
- Damaged goods 106
- Day book purchases 408 434
 - — sales 429
- Dead stock lists 142
- Debt collection 369 386
- Decentralization 20 382
- Decoration of premises 53
- Decreases in price 116
 - in salary 412
- Defective goods 106 238
- Deferred delivery 291
 - payments 285
- Deliveries by suppliers 81 85
- Delivering goods 278 303 453
- Delivery extract note 308
 - instructions 282
 - sheets 316
- Demand study of 56
- Demonstrations sales 225
- Departmental accounts 408 432
 - 439 447
 - organization 20
- Deposits by customers 366
- Depreciation of equipment 442
- Depreciation of property value 44
 - 46 443
- Depression in trade 148
- Deputies for buyers 90
- Describing merchandise 181 215
- Descriptive tickets 88
- Desks cash 268
- Diaries advertising 191
- Dictation 353
- Dilapidations 52 446
- Direct charges 450
 - expenses 127
 - mail publicity 188
- Directing customers 220
- Directors responsibility 17
- Discharging employees 244 412
- Discounts from suppliers 90 408
 - to customers 142
- Dismissals staff 244 412
- Dispatch 303
 - extract note 308
- Display 198
 - branch 391
 - frontage 35
- Distribution 1
- Drawing cheques 410
- Dressing out 198
- Drivers log books 320
 - van 317 319
- Drum and advertisements 184
- Dumping 4
- Duties codification of 25
- EDUCATION of customers 180
 - of staff 260
- Efficiency 14
- Electric lighting 53 214

- Employees control of 240
- Enclosure cards 290
- Engagements staff 248
- Enquiries credit 364
 - customers 230 337 350
- Entertainment expenses 421
- 'Entry' sales 275 434
- Equipment accounts 442
 - of premises 53
- Establishment expenses 128 392 450
- Estimates cash 427
- Estimating income and expenditure 404
 - profits 447
 - stocks 120
- Examining goods before dispatch 307
 - incoming goods 81
- Exchanging goods for customers 301
- Exclusive selling rights 39
- Executing orders 267
 - post 346
- Executives titles 23
 - training 28
- Exhibitions 207
- Expense control 170 403
- Expenses advertising 195
 - branch 388
 - budgeting 404 447
 - classification 437 450
 - clerical 359
 - costing 127
 - dispatch 304 323
 - display 216
 - estimating 404
 - grouping 437 450
 - mail orders 329
 - petty cash 421
 - premises 38
 - tabulation 434
- Experience staff 260
- Expert knowledge 228
- Exposed stocks 102
- External relations 166
- Extract note for dispatch shortages 308
- Extras 283
- FACIAS 36
- Facility departments 163
- Factory visits 72
- Fashion goods 62
- Faulty goods 106 738
- Fear of the customer 259
- Filing catalogues and prices 74
- Finance inquiries 364
- Financing credit sales 357
 - premises 43 45
- Financing stock purchases 73
- Finding customers mail order 335
- Fire insurance 49
- Fitness staff 256
- Fittings shop 54
- Fixtures 49
- Floor plan 166
 - space accommodation 37
 - allocation 164 452
- Fluctuations in sales 129 147
- Following up inquiries 234 352
 - up sales 234 352
- Forecasting cash position 427
 - income and expenditure 427
 - turnover 151
- Foreign purchases 91 215
- Form letters 353
- Forward stocks 102
- Free booklets 337
 - delivery 303
 - gift schemes 186
 - trials 343
- Freedom of the shop 221
- Freehold property 43
- Frontage 35
- Functional policies 14
- Furnishing the shop 54
- GARAGE organization 322
- General overheads 450
 - salesmen 223
- Gift schemes 186
- Goods classification of 57
 - Received Book 84
- Goodwill 12
 - compensation for loss 51
- Graph of advertising expenditure 196
 - of sales turnover 156
- Greeting the customer 221
- Gross profits 126 152
- Grouping departments 22
 - stocks 103
- Guarantees 342
- Guides for customers 224
 - to system 263 302
- HAGGLING over prices 144
- Half tone blocks 180
- Handbook staff 263 302
- Handling sold goods 307
- Hawking 233
- Health insurance 421
 - staff 256
- Heating 53
- Hire purchase 285 356
- Hiring vans 323
- Hoardings 187
- Holiday pay 417

House advertising 176
 House to house canvassing 233
 Human appeal in displays 211
 Hygiene staff 256

IDENTIFICATION of goods 86 93
 Illustrations 180
 Impersonal ledger 432
 Impersonation of customers 277
 Importing goods 91
 Improvements to premises 50
 Improving goods 60
 Inattention to customers 257
 Incidental service 127
 Income and expenditure accounts

447
 — estimating 404
 — tax 442
 Incoming post 344
 Increases in prices 116
 — in salary 244 412
 Increasing sales 227
 Indefinite orders 225
 Index to prices 74
 Inquiries credit 364
 — customers' 230 337 350
 Inspecting goods before dispatch 307
 — incoming goods 81
 Inspectors branch 392
 — dispatch 320
 Instalment trading 344 356
 Instructions delivery 282
 — for sale 86
 — to staff 25
 Instructors staff 263
 Insurance fire 49
 — national 421
 Intercommunication telephones 276
 — tubes 274
 Interdepartmental relations 23
 — transfers 112
 Interest charges 127
 Interim accounts 446
 Interior displays 198
 Interviewing customers 221
 — travellers 71
 Introductions by customers 229 357
 Introductory sales 227
 Inventory of stocks 107
 Investigating closed accounts 234
 351
 Invoice checking 85 407
 Invoices to customers 278
 Irritability in salesmen 257

Job lots buying 66
 Journal purchases 408 434
 — sales 429

Journal transfer 436
 — voucher 436
 Journeys delivery 314
 Judging salesmen 250
 Junior salesmen 262

Key accounts ledger 434
 Keying advertisements 339
 Knowledge sources of 261
 — technical 228 266
 — theoretical 260

LABELLING parcels 279
 — sold goods 282
 Labour market 245
 Landlord and Tenant Act 49
 Late deliveries by suppliers 85
 Lay out of advertisements 184
 — of premises 164
 — of stocks 101

Leadership 19
 — sales 261
 Leading lines 57
 Leaflets advertising 197
 Learners 262
 Leasehold property 44
 Lectures to salesmen 264
 Ledger bought 408 433
 — nominal 432
 — sales 367 429
 Letters receiving 344
 — to customers 352
 Library of catalogues 74
 — staff 264
 Lifting trucks 307
 Lifts 38
 Lighting 53 214
 Limits for unit stocks 109
 Line blocks 180
 Lines classification of 57
 Lining prices 137
 Literature sales 188
 Loading vans 316
 Local newspapers 182
 Location of shop 32 381
 Log books drivers 320
 Loss of profits 130
 Losses of stock 114
 Lost order book 64
 — sales 225

MAIL incoming 344
 — order journal 344
 — orders 328 454
 — outgoing 353
 Mailing list 188 235
 Maintenance of premises 54
 — of prices 166

- Management 16 171
 - branch 382
 - committees 24
- Manual, staff 263 302
- Manufacturing 60
- Mark downs 130 142 152 163
 - 452
 - ups 131 152 452
- Market research 9
 - study of supply 69
- Marking foreign goods 215
- incoming goods 86 93
- Mass production 3
- Maximum stock limits 109
- Medical examination staff 256
- Members discounts 143
- Memorandum of engagement 248
- Merchandise advertising 176
 - classification of 57
 - control 96 405
 - Marks Act 215
 - unit control 383
 - — stock record 117
 - — trading account 395
- Messengers customers 277
- Middlemen 69
- Mileometers 320
- Minimum stock limits 109
- Mixed parcels buying 70
- Monthly accounts 446
 - salaries 419
- Mortgaging property 43
- Motor vehicles 319
- Movements of customers 165
- Moving departments 165
- Multiple shops 376
- NARROW MINDED salesmen 258
- National insurances 421
 - newspapers 181
- Nervousness in salesmen 259
- Net profit 128
 - sales newspapers 182
- New customers obtaining 173 198
 - 229
 - goods 62 66
 - shopping centres 42
- Newspaper publicity 181
 - No charge transactions 301
- Nominal ledger 432
- Non-delivery 317
- Notification of wages alteration 412
- Novelty lines 62 66
- Novices 262
- OBJECTIONS customers 230
- Obtaining goods for customers 63
 - 226
- Official receipts 399
- Old stock lists 142
- On approval buying 70 91
 - — selling 292
- Oncosts 127
- Opening a new shop 42
 - stock buying 73
 - Open to buy statement 98
- Order forms 342
 - of service 222
- Orders to suppliers 80
- Organization 16
 - chart 20
- Original costs 126
- Outdoor publicity 187
- Out-of stock goods 64 347
- Out pockets staff 421
- Outside displays 207
- Overdrafts bank 45
- Overdue accounts 369
- Overhead expenses 128 450
- Oversold goods 347
- Overtime 417
 - Own name goods 59
- PACKING material stocks 312
 - sold goods 275 279 312
- Pacts trade 166
- Parcel trucks 307
- Pass book checking 401
- Passenger lifts 38
- Pattern books 84
 - — distributing 191
- Patterns buying from 84
 - selling from 63 226
- Pay at end 290
- Pay at the desk 268
- Paying in takings 386 403
 - suppliers accounts 410
- Payment of branch managers 388
 - of salesmen 253
 - of wages 412
- Payments book 424
 - by cheque 288 399
 - by customers 399
 - by post 348 397
- Pay-on-delivery 286 316 433
- Percentages 133
- Perpetual inventory 107
- Personal element in business 218
 - 240 350
 - ledgers 367 408 429 435
- Personality salesman's 257
- Personnel 169 217 240
- Persuasion sales 230
- Pestering the customers 221
- Petty cash 421
 - — analysis 436

Petty cash statement 424
 — voucher 422
 Physical fitness staff 256
 Planning turnover 148 161
 Platform trucks 307
 Plums for regular customers 351
 P O D 286 316 433
 Policy trading 1
 Popular prices 136
 Porters van 317
 Position of shop 32
 Post incoming 344
 — inquiries 350
 — order form 342
 — orders 328
 Postal publicity 188
 Poster publicity 187
 Posting ledgers 436
 — parcels 313
 Prejudices local 12
 Preliminary expenses 446
 Premises 32
 Premium commissions 254
 Preparation costs 126
 Preservation of stocks, 105 305
 Press publicity 181 336
 Prestige of shop 34
 Price changes 116
 — codes 88
 — concessions to customers 142
 — control 137
 — cutting 135
 — education of customers 180
 — fixing 126
 — index 74
 — lining 137
 — maintenance 166
 — tickets 88
 Pricing incoming goods 86
 Printing instructions 184 190
 Private cash book 424
 — ledger 432
 Privileged customers 143
 Prize schemes 186
 Professional discounts 144
 Profit and loss account 446
 Profits 126
 Pro forma invoices 292
 — purchases 91
 Promotion staff 29
 Property shop 32
 Proprietary articles 58 137
 Prospecting for premises 40
 Prospects for retailers 6
 Protection of stocks 105 305
 Publicity 173
 — mail order 336
 Purchases journal 408 434

Purchases routine 77
 — tabulation 434
 Purchasing control of 96
 — property 46
 — stock 56 382

 QUALIFICATIONS for management 30
 Quantity discounts 144
 Query form 350
 Questions customers 230 337 350
 Quick service 267
 Quotas for salesmen 254

 RAILWAY consignments 314
 Railways cash 273
 Rationalization 380
 Reading the customers 144
 Rebates to customers 300
 Receipt forms 399
 Receipts cash 268 270
 Receiving cash 397
 — goods from suppliers 81
 Reception of customers 221
 Receptionists 224
 Recommendations customers 229
 352
 Recording customers purchases 353
 Records of staff 250
 — of stock 107
 Recruiting executives 28
 — staff 245
 Redeliveries 317
 Reducing staffs 244
 Reductions in prices 116
 — in salary 412
 References customers 363 365
 Refunds to customers 300
 Registers cash 267
 Regular customers 221 350
 — trading lines 57
 Regulations staff 25
 Reinstatement after fire 49
 Relations trade 57 166
 Remainders buying 66
 Remittances received 348
 — sheets 397
 Removing departments 165
 Remuneration of branch managers
 388
 — of salesmen 250
 Renewal of equipment 443
 — of tenancy 50
 Rentals shop 38
 Repairing covenants 48
 Repairs for customers 283
 — to premises 54
 — to stock 106
 Replenishment of stock 106

- Replies from advertisements 339
- Reply coupons 339
- Reports branch 383
- Requisitions for branch expenses 388
 - — — merchandise 77
 - — — petty cash 424
 - — — staff 243
 - — — supplies 312
- Research work 9
- Reserve stocks 104
- Reserving sold goods 282
- Resignations 412
- Responsibilities codification of 25
- Responsibility for management 17
- Results salesmen's 250
- Retail Salesmanship* 218
- Retailing 1
- Returns from advertising 339
 - — — customers 297
 - — — to suppliers 94
- Revision of mailing lists 235
 - — — staff lists 250
- Revival in trade 148
- Road transport 314
- Rotas service 222
- Roundsmen 233
- Routine purchasing 77
- Routing deliveries 316
- Rover salesmen 223
- Rules for staff 15
- Running costs vans 324
 - — — stock record 107
- SACRIFICE of profit 130 142
- Safety of goods dispatch 305
- Salaries payment 411 419 435
 - — — salesmen's 153
- Salary increases 244
- Sale or return buying on 70 91
 - — — — — selling on 292
- Sales analysis 67 429
 - Sales bargain 130 160 184 201
- Sales checks cash 268
 - — — credit 278
 - — — tabulation 432
 - — — journal 429
 - — — ledger 367 429
 - — — literature 188
 - — — overheads 450
 - — — per square foot 452
 - — — persuasion 230
 - — — promotion 170
 - — — tabulation 428
 - — — technique 265
 - — — turnover 129 147
- Salesman's responsibility 217
- Salesmanship 217
 - aptitude for 255
- Salesmen control of 240
 - — — selecting 255
 - — — suppliers interviewing 71
- Salesmen's expenses 421
 - — — remuneration 250
 - — — results 250
- Samples buying from 84
 - — — distributing 191
 - — — selling from 63 226
- Sanction credit 275 361
- Sanctions for expenditure 405
 - — — purchasing 96
 - — — staff control 241
- Satisfaction or money back 342
- Saturation point 4
- Schools of salesmanship 261
- Security of tenure 35
- Selecting goods for advertising 179
 - — — — — display 208
 - — — — — mail orders 333
 - — — salesmen 255
 - — — shop sites 31 381
- Selling costs 127
 - — — expenses 127
 - — — instructions 86
 - — — plans 161
 - — — prices 126
- Sending goods 278
- Seniority salesmen's 222
- Service charges 283
 - — — mail order 346
 - — — policy 7 163 391
 - — — rotas 222
 - — — systems 267
- Serving through 223
- Settlement of suppliers accounts 410
- Shareholders discounts 143
- Shop assistants proficiency of 219
 - — — control of 240
 - — — fronts 36
- Shopfitting 37
- Shoplifting 102
- Shopping centres 33 381
- Shopwalkers 224
- Shortage of capital 357
- Shortages sold goods 308
- Shorthand and typing 353
- Showcards 214
- Showcases outside 207
- Showroom stocks 102
- Showrooms 101 206
- Signing cheques 411
 - — — invoices 85 407
- Signs publicity 187
- Site values 38
- Sliding scale commission 250
- Slow moving stocks 142
- Sold labels 283

- Sold out lines 347
- Space, accommodation, 37
 - advertising, 182
 - , display, allocation, 205
 - , economy of, 37
 - , floor, allocation, 164, 452
- Specialization 8 229, 380
- Special offers to customers 351
 - purchases for customers, 63 226
- Specialty selling, 235
- Speculative buying, 74
- Spending, supervision of 170, 406
- Spoilage of stock, 114
- Spreading expenses, 446
- Staff control, 240 390
 - discounts, 142
 - instructors 263
 - manager's work, 241
 - manual, 263 302
 - purchases 142
 - record 250
 - recruiting, 245
 - rules 25
- Stampa, insurance 421
 - , postage 313
- Standardization, branch 380
- Standing orders to staff, 25
- Statements to customers, 370
 - , suppliers, 410
- Statistics 452, 454
- Status inquiries 364
- Stock arrangement 101
 - , classification of, 57
 - condition, 105
 - control 118, 383
 - account 118
 - estimates 120
 - keeping 101
 - limits 109
 - lines, 57
 - preservation 105 305
 - record merchandise 107
 - , supplies, 312 442
 - replenishment 106
 - responsibility for 105
 - turns 122 452
- Stocktaking 110
- Stopping credit, 375
- Storerooms 104
- Stores chain 376
 - co-operative 5
 - department 20
- Style of shop 36
- Subsidiary departments, 23
- Suggestions to customers 227 352
- Summary cashiers, 270
 - , salesman's, 270
- Supervision of branch expenses 388
- Supervision of buying 96 162 405
 - of cash 396
 - of delivery vans 320
 - of expenses 170 406
 - of petty cash 421
 - of prices 137 162
 - of profits 137 162
 - of salaries 411
 - of sales checks 274
 - of staff 240
 - of stocks 118 383
 - of wages 411
- Suppliers relations with 57 168
- Supplies requisition 312
 - stock record 312
- Supply contracts 61
 - sources of 69
- Surveying property 47
- Systems dispatch 307
 - guides to 263 302
 - mail order 334
 - sanction 275 362
 - service 267
- TABULATION sales 428
 - Take sales 267
- Takings handling 397
- Targets for salesmen 254
 - profit, 138
 - sales 158
- Teaching salesmen 260
- Technical knowledge 228 266
- Technique sales 265
- Telephone purchases 64
 - sanction 276
- Temperament salesmen 257
- Temporary staff 420
- Tenancy agreements 48
- Terms of payment customers 361
 - suppliers 90
- Territories delivery 314
- Textbooks for salesmen 264
- Theoretical knowledge 260
- Ticketing incoming goods 86 93
- Tickets display 214
- Time clocks 414
- Timekeeper's report 416
- Titles for executives 23
- Tracing replies to advertisements 339
- Trade conditions 148
 - cycles 148
 - discounts 144
- Trading accounts 446
- Training executives 28
 - salesmen 260
- Transfer journal 436
 - of departments 165
 - of employees 412

- Transfer of tenancy 52
- Transfers of expenses 112
 - of stock 112
- Transit damage 116 307
- Transport organization 322
- Travellers suppliers interviewing 71
- Travelling expenses 421
- Trial orders to suppliers 62
- Tricycles 313
- Trucks parcel, 307
- Tubes cash pneumatic 273
- Turnover of stocks 122
 - sales 129 147
- Typing 353
- Typography 192
- UNDERSTUND buyer a 90
- Unemployment insurance 421
- Unit control 383
 - stock record 107
 - trading account 395
- Unpacking goods 105
- Unsaleable stock 141
- Urgent orders 81
- VACANCIES staff 243
- Vacuum cleaners 55
- Valuation of stock 112
- Van drivers 317 319
 - log books 320
 - porters 317
 - territories 314
- Vans delivery 305 319
- Vehicle costs 324
- Vehicles delivery 305 319
- Visible stock system 102
- Vision in salesmen 258
- Visitors looking round 220
- Visits to customers 233
 - to suppliers 72
- Voucher cash 410
 - journal 436
 - petty cash 422
 - refunds 300
 - wages 418
- WAGES analysis 435
 - envelopes 418
 - payment 411
 - receipts 418
 - salesmen s 253
 - sheets 412 416
- Waiting list staff 246
- Wait overs 291
- Wait slips 64
- Wastage of stock 114 130
- Waste notes 114
- Wear and tear allowances 442
- Weekly accounts 446
 - reports branch 383
- Wholesale customers 144
- Wholesalers 69
- Window displays 198
 - plan 204
 - With-other goods 290
- Work orders 283
- Workers control of 240
- Working capital 45 73 357
- Wrapping sold goods 275